FINANCI

World Business Newspaper http://www.FT.com

TUESDAY FEBRUARY 2 1999



Soviet reunification A more popular topic in Belarus than Ukraine Page 3



Only connect Dawning of the network age Peter Martin, Page 18



iveco in China The importance of espresso in Nanjing Management, Page 14

Nigeria Unrest in the delta over oil spolls Page 6

WORLD NEWS

Kurdish leader vanishes after **Dutch rejection**

Abduliah Ocalan, the fugitive Kurdish guerrilla leader wanted by Turkey, tried fly to the Netherlands yesterday, was denied per-mission to land and then apparently vanished. Turkey's foreign ministry said: "We expect all European countries to immediately determine the place where this individual is hiding to escape from justice, and to hand him over". Europe, Page 2

Russian plan will miss IMF targets Prime minister Yevgeny Primakov finished work on Russia's latest economic plan, which does not meet objectives set out by the International Monetary Fund for lease of new financial aid. Europe, Page 3

Green light for Strasbourg link The French government has approved a new high-speed rail link between Paris and Strasbourg on the eastern border with Germany. Europe, Page 3

islamic leader starts hunger strike Shelkh Ahmed Yassin, leader of the Hamas militant Islamic movement, said he had begun a hunger strike to protest at the detention of political prisoners in Palestinian Authority jails.

transans mark revolution Crowds gathered at the shrine of Iran's late spiritual leader Ayatolish Ruhollah Khomeini to mark 20 years since the Islamic revolu-

Seddem offers cash bounty iragi air defence troops who shoot down hostile aircraft are in line for a \$14,000 bounty under orders from President Saddam Hussein, International, Page 6

Explosion rocks US Ford plant An explosion and fire rocked a generating station for Ford Motor's big Ford Rouge plent in lichigan, injuring more then s dozen people, some seriously.

Western governments and lens ers are preparing a conditional \$1.5bn for the civilian government due to take office in Nigers in May, it alms to avert a pot tially destabilising economic ori-als. International, Page 6

> Lawyers advise on conflicts Lawyers are advising UK financial organisations to review how they build and maintain "Chinese walls" following a landmark judgment on managing conflicts of interest. UK, Page 10

The consure motions fall The Thai government defeated censure motions brought against three senior ministers but remained under pressure to deliver quickly on promises of economic recovery. Asia, Page

IIS and bottle closer to deal india and the US are moving towards an agreement under which Delhi would sign the Comprehensive Test Ban Treaty provided economic sanctions are lifted first. Azia, Page 4

Parents blansed over antibiotic Parents who demand antibiotics for their children even when doctors think the drugs unnecessary are a large factor in the growing overuse of such medicines, say oston University School of

BUSINESS NEWS

weaken as US stages recovery

the US where manufacturers are staging a recovery at home and abroad, surveys show. The figures also show that deflation within Europe may soon become apparent. Page 20 and Lax

Neopost, Europe's largest maker of mailroom equipment, is to list on the Paris stock exchange in an initial public offering that will value the company at about 6800m (\$684m). European companies, Page 24

dollar was halted by optimism that the Brazillan government would agree a revised emergency financing deal with the International Monetary Fund. American news, Page 5; Editoriel comment, Page 18

National Grid, UK electricity transmissions group, announced the agreed purchase of Eastern Utilities Associates in the US for \$634m. Companies and finance, Page 21

fund, and French retailer Promodès are to form Argentina's biggest supermarket chain with the ourchase of the privately owned Casa Tie chain for \$630m, Latin American com-

Banco Bilbeo Vizcays of Spain reported record annual profits a merger. Companies and finance, Page 21

ATET amounced a joint venture. Significance one there is business that commute the kind the long transmission business, that will enable it to reach 29m At loss homes. Companies and merkete, Page 21

Poheng from & Steel chairman You Sang-boo criticised his predecessor at the South Korean steelmaker for making poor investments, which, Mr You said, could "pose obstacles for a smooth privatisation" of the group. Asia-Pacific companies.

Cheries Solvesh, largest online stockbroker, lifted margin requirements for 23 heavily traded internet stocks, but reported that trading in some of the stocks continued to increase from already hectic levels. Compenies and finance, Page 21

l'elevicantre, holding company of Grupo Televisa, Mexico's largest broadcaster, said it had agreed with creditor banks on the restructuring of \$1.27bn of debt. Latin American companies,

Euro Prices

European economies

European manufacturing continues to shrink, in contrast to

The Real's rapid slide against the

Exal, Argentine private equity carries. Page 22

and said it was in the market for

Stinnes, German freight haulage company, announced plans to creets Europe's largest transport and logistics group by launching a SKr3.3bn (\$423m) bid for Swedish transport company BTL European companies, Page 24

Page 28

A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets.

WORLD MARKETS

STOCK MARKET MUNICIPA		GOTO.	
New York: kenchtime		New York: Comex	20000
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Page 4-84 171 EFE 3424

Société Générale in Paribas deal

Agreed all-share takeover bid valued at \$17bn By Samer iskander in Peris

Société Générale, France's largest listed bank, has launched an agreed all-share takeover bid for Paribas, the fifth largest, which values Paribas at £15bn (\$17bn). The merged bank, to be called SG Paribas, will be the world's fourth largest bank in terms of shareholders' equity and the third largest in Europe, with a market value of more than

The takeover is expected to set off further bids in the overcrowded French banking sectors. Leaders of the new SG Paribas indicated they intended to be

involved in that process. Mr André Lévy Lang, Paribas chairman and future chairman and chief executive of the merged group, said SG Paribas would be interested in acquiring a stake in Credit Lyonnais, which is due to be privatised before the end of June. SocGen said it would drop

its legal challenge to state aid received by Cfedit Lyonnais. The takeover was immediately welcomed by the French government, which is actively promoting consolidation as a way of improving the international competitiveness of the country's

The banks said their decision was partly motivated by "rapid technological innovations and increasing mergers in the sec-

nking sector.

"A few days after the birth of the euro, SG Paribas becomes a leading player in a number of businesses," said Mr Lévy Lang. Bank shares had mixed reactions on the Paris bourse yesterday, as market participants weighed the implications of the deal. Those of Banque Nationale

de Paris rose 10 per cent immedi-

ately after the announcement on

speculation it was likely to be the next French bank involved in a agers, and the world's sixth cusbid. BNP had approached Paribas todian with more than €500bn of unsuccessfully on at least one recent occasion. Paribas shares closed at €78, down 2.4 per cent.
Analysts said the SG Paribas

merger stepped up the pressure on BNP to forge an alliance with another hank. With FFr4.920bn (£750.6bn) in

total assets, the future SG Paribas is set to overtake Switzerland's Credit Suisse group to be Europe's third largest bank by this measure. It will be just behind Germany's Deutsche Bank, which is taking over Bankers Trust of the US, and UBS of

Switzerland. SG Paribas will have Europe's largest portfolio of industrial investments, valued at €12bn. With more than €200bn of assets under management, the group

The merger will take the form of a share exchange, with SocGen offering five of its shares for eight Paribas shares. This values Paribas at €15bn, a 17 per cent premium over its average price

securities held in custody for cli-

last month. Mr Levy Lang will head the group until his retirement in November 2002 at age 66, when Daniel Bouton, 48, the current SocGen chairman, will take over.

Jacques Chirac, the French president, welcomed the deal, saying French banks needed to "get together and become stronger to face international competi-

The banks said they simed to achieve return on equity of 15 per said it would be one of Europe's . cent compared with less than the

	(E)a)	(30)
UBS*	636	99.5
Dautsche Bank*	836	36.5
88 Paribes*	599	32.7
Credit Sulsan	428	42.5
Hypovereins	416	22.11
HSBC	400	70.2
ABN Antro	379	28.0
Dresdner	346	19.50
Barclaya	232	39.70
BNP	210	17.4

11.5 per cent that was the average of the two banks in 1998. They also set a target for growth in annual net earnings per share in excess of 15 per cent.

Unlikely pairing, Page 24; Better late than never, Page 18; Observer, Page 18; Lex, Page 20; 38V profits, Page

Euro beats dollar in bond market trade in first month

Analysts question whether new currency can sustain lead

By Edward Luce, Capital Markets Editor

The euro has pushed the dollar into second place in international bond markets in its first month

Since its launch, the euro has been the currency of choice for half of all new international bond issues, with a value equivalent of \$69.3bm. The dollar took 40 per cent (\$55.7bn) of the total.

Analysts have warned that the euro's share of international borbut the challenge to the dollar's supremacy would not fade away.

"If you judge by the bond markets, we are now in a dual currency world," said Simon Meadews, global head of debt syndication at CSFR. The next most popular cur-rency was sterling, with a share

of less than five per cent. The yen barely registered, according to Capital Data BondWare. The euro was also more popu-

lar than its 'legacy' currencies used to be. The proportion of bonds issued in all 11 euro "legacy" currencles ran at between 30 and 35 per cent in recent years. The suro has capitalised on

enthusiasm of European pension and insurance funds for new types of bond, including offerings from European companies. Dozens of assets managers, including Credit Suisse Asset Management and Rothschild Asset Management, have launched dedicated funds for euro-denominated corporate bonds.

A number of European compa-nies, such as Olivetti, the Italian telecoms firm; Energie, the Austrian utility; Carrefour, the French supermarket chain; bank, and Benetton, the Italian fashion company, have either issued bonds in euros in the last three weeks or plan to do so.

"If you look at who has borrowed in euros, it goes right screes the spectrum from hanks and companies to governments, said Roger Bates, head of the Deutsche Bank's Emu 'project team in London. However, bankers say that the

euro's share of the international debt markets is likely to drop slightly to take account of the fact that many borrowers wanted to make a splash in the currency's first month of existence.
"A lot of borrowers wanted to be the first to establish a new benchmark and attract publicity," said David Munves, credit market strategist at Lehman brothers.

"However, the euro has achieved parity with the US dollar in the bond markets." Bankers say that the euro's fly-

ing start has been aided by the fact that long-term interest rates in the suro-zone are lower than those in the dollar market. This makes it cheaper for companies and banks to price fixed-

ernment bonds, where the 10-year yield is 3.89 per cent, rather than against US Treasury bonds. where the yield on the 10-year benchmark is 4.7 per cent. The euro's popularity has been sided by the recent weakness of the US dollar against the Japa-

nese yen owing to the widening

US current account deficit and the rise in Japanese bond yields. In addition many Asian and especially Japanese investors have been selling dollar holdings to free up funds for purchases of the euro.

investors embrace euro, Page 21 Bonds, Page 30



President SH Chrism yesterday promised "a new era of opportunity" when he unveiled next year's budget, forecasting more than \$2,400bn in surplus over a decade and opening a struggle with Republicans. Page 20 Picture: AP

Kosovo plan set to remove Serb powers

The draft peace plan for Kosovo effectively removes the Serbian covernment's authority over the province, according to copies cirulating in Beigrade.

The plan gives sweeping powers to the head of the new international monitoring mission. including the right to remove and appoint officials in the administration and judiciary.

The monitoring mission, run by the Organisation for Security and Co-operation in Europe (OSCE), will also supervise elections in Kosovo within nine months and set up its own broadesting network.

The six-nation Contact Group is expected to present the peace plan to the warring parties at a meeting in France later this week. The tough demands reflect the international community's frustration with the year-old conflict and lack of progress after months of shuttle diplomacy.

Javier Solana, Nato secretary general, warned yesterday that this was "a last opportunity to reach peace in Kosovo". He reiterated he had authorisation to order air strikes if no agreement was reached in talks, intended to start on February 6 and continue media, the head of KVM will for no more than two weeks.

The head of the monitoring senior US envoy declared persona non grata by Belgrade last

month. The Serbian authorities later suspended the order. Both France and Britain have

said they are prepared to deploy troops to underpin any peace deal and the US has indicated it could consult Congress about a possible role for US troops. Neither the separatist Kosovo

Liberation Army (KLA) nor Belgrade have yet responded fortalks but diplomats expressed confidence they would be dragged to the negotiating table. The status of Kosovo is not

defined under the plan, but for an interim period of three years the territory, with its overwhelmingly ethnic Albanian majority. will be granted "a high degree of self-governance". The Kosovo government will have the option of holding posts in the governments of Serbia and the federal republic of Yugoslavia.

Reacting to the draft settlement, Serbian officials objected in private to the extent of autonomy proposed for Kosovo and the sweeping powers vested in the Kosovo Verification Mission (KVM) headed by Mr Walker.

According to a copy of the draft plan, seen by the Financial Times and published in part by Serbian supervise implementation of the agreement and, for an undefined mission is William Walker, a transitional period, have the power to shut down existing

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WORLD NEWS

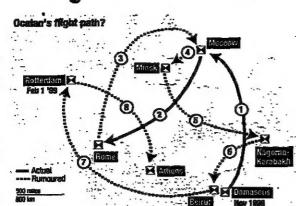
Ocalan's location proves mysterious

By David Buchan in London, Leyla Boulton in Ankara and

The whereabouts of one of the world's most unwanted men - Abdullah Ocaian were again unclear last night after an aeroplane carrying the fugitive Kurdish guerrilla leader tried to land in the Netherlands, was denied permission and then apparently vanished into

By the end of the day, Turkey, the only country that wants Mr Ocalan, in order to try him on terrorist charges was claiming the Kurdish leader had landed in Athens, where Dutch radio had the Greek government denied this, saying Mr Ocalan would not be welcome.

Some 200 Kurds gathered early yesterday at Rotterdam airfield on rumours of their leader's arrival, but were disappointed when Dutch air control refused to let Mr Ocalan's private aeroplane land because it had not filed a proper flight plan. Britta Boehler, Mr Ocalan's Dutch lawyer, said Mr Ocalan had wanted to take the Kurdish dispute with Turkey to the Permanent Court of Arbitration in The Hague. She said she had no idea where Mr Ocalan's aircraft was headed thereafter.



Italy might be his destination again, the Italian government yesterday ordered reported he was headed. But its secret services to board and search a number of aircraft at airports across Italy. Mr Ocalan triggered a diplomatic crisis in Italy's relations with Turkey and Germany last November when he arrived in Rome. Eventually, angry with Germany for refusing to demand Mr Ocalan's extradition, and embarrassed by Turkey's demand for his extradition. the Italian authorities were

January 16. Where the Kurd then went is as much of a guess as where he is now. Many reports said he went back in ras headed thereafter. mid-January to Russia, However, alarmed that where Mr Ocalan went last

October after he expelled by Syria, his longtime haunt, under Turkish pressure. From Russia, where his presence was denied, he was rumoured to sus or Lebanon. Turkey has warned that it would regard any country harbouring Mr Ocalan as committing a hos-

Bülent Ecevit, Turkey's caretaker prime minister, yesterday signalled his satisfaction at the fact that "Ocalan is wandering from coundelighted to see Mr Ocalan try to country, trying to find slip out of their country on

an open door". He said that "it was now understood that opening your door to Apo [Turkey's nickname for its most wanted man] means becom-ing an accomplice to terror-ism".

Mr Koch's focus on dual nationality as the single most important issue is not only upsetting the churches and colleagues in the CDU. It has also made Hans Bichel, Hesse's prime minister - best known as an expert on tax policy - seem something of a statesman, defending the moral integrity of the state which houses Germany's financial district and the European

Hesse: CDU tries to haft the slid

become the norm".

Hesse's elections.

A Polis poll in Focus mag

azine suggests the SPD

would add three percentage

points to the 38 per cent won

in 1995 and consolidate its

eight-year-old local coalition

with the Greens in the state

CDU man in high-risk gamble For an election candidate to focus on dual nationality is tempting. but it is making party members angry, writes Ralph Atkins A strong result on Sunday

Roch's speech in the local church hall in the Frankfurt suburb of would be a considerable boost for Mr Schröder, who acknowledges that his first Sulzbach starts with a famil-100 days, which have iar target: "Are you happy included rows over nuclear with the financial policies of power and a confrontation Oskar Lafontaine [Germany's finance minister]?" with industry over tax pol-

icy, have been bumpy. After a while, Mr Koch, candidate for the right-oftions about the effectiveness entre Christian Democratic of the CDU as an opposition party, still traumatised by Union (CDU) in Sunday's its ejection from federal Hesse state election, moves to a still greater "threat": years under Chancellor Helthe federal government's plans to sanction "dual mut Kohl. Ahead this year nationality" for many of the lie six more state elections 7m foreigners living in Gerand the European elections many. "Very quickly," he warns, "the exception would In Hesse's SPD, a keen

sense of optimism prevails. Volker Halsch, the local par-But the questions afterwards are largely about jobs liamentary manager, says and Germany's competitivethe so-called "false start" by only 19 of the 70-strong audimade a lot of by the media. ence have signed the peti-"It had less effect on the tion against dual nationality promoted by the CDU.

population. People gave the government a lot of trust. Despite the bruising first You have to look at what 100 days in Bonn of Chancelhas actually come out of lor Gerhard Schröder's Bonn. A lot of campaign promises have been kept. Social Democratic/Green party government, Mr Koch That's rather positive." is not making headway in Even Hesse's Greens seem

unabashed by setbacks at the Bonn level - including retreats by Jürgen Trittin, ister, on the timetable for Germany's withdrawal from nuclear power. "It wasn't what we dreamt of," admits Priska Hinz, the local Green's leader and Hesse's environment minister.

"But atomic policy needs a lot of time and work to push through. When opposition parties [in Bonn] come into government after 16 years, there's bound to be friction, and problems reaching ments. The voters are

much calmer than we are." "Red-green" in Hesse has proved a stable combination. haps in a year they will." though a dispute over expanding Frankfurt airport

is rapidly growing into a divisive issue which could bog down post-election coali-

tion talks. Mr Koch admits many voters are still prepared to give the new Bonn government some credit. In addition, the CDU "is not in ideal shape, four months after a federal election": it has yet to reforto win back voters.

Thus the focus on dual nationality is tempting. It has demonstrated, says Mr Koch, "that the CDU is still capable of mobilising and fighting". Already. 200,000 signatures have been collected in Hesse. It has given Mr Koch, one of the CDU's younger leaders, a high

national profile. He says the argument is about finding the best way of integrating foreigners. He ses suggestions he is harming Frankfurt's reputation as an international financial location. "Nobody is agitated that if I went to New York I'd never have a chance of US nationality without giving up my Ger-

man citizenship But it is a high-risk strategy. Ruth Wagner, chair of the Hesse Free Democratic Party, the CDU's most natural coalition allies in federal or state government, warms the CDU runs the risk of encouraging extremists Tve seen people coming up to CDU stands and asking Where can I sign up for "for-eigners out"?" We can't have

She is reconciled to her party remaining out of office, the opposition forces divided. The fallout from Bonn politics has yet to materialise. "The media think it was a false start but the voters don't. Yet. Per-

NEWS DIGEST

EURO-ZONE

M3 money supply growth sees slight upturn

Euro-zone M3 money supply growth, an indicator which the European Central Bank uses to determine the separate rate policy, rose at an annual rate of 4,7 per cent in the three months to December, the ECB said ye

The rate of increase is slightly higher than the reference value of 4.5 per cent which the ECB has said it would like to see in 1999, the first year of the euro's existence. Amelysts said the rate of growth, though by no means als ing, might reduce the chances of an interest rate cut on Thursday, when the ECB's governing council holds its next meeting. The ECB's main refinancing rate stands at present at 3 per cent.

Jean-Claude Trichet, Bank of France governor and ECB governing council member, said last weekend that N3 growth was running "at a pace we consider appropriate," but that growth in the narrower M1 money supply measure was running at about 9 per cent. Tony Barber, Frankfurt

TRADER ARRESTED IN STOCKHOLM

Share fraud hits bank

MeritaNordbanken, the largest bank in the Nordic region. yesterday said a rogue trader in its Swedish stockbroking arm had defrauded the Finnish-Swedish bank of SKr290

The share fraud, one of the largest to hit a Scandinavian lender in recent years, involved the alleged short selling of shares. Under the scheme, the broker, who has not been named, used fictitious sell notes from institutional clients of MeritaNordbanken in order to sell stock in the hope of buying it back more cheaply at a later date and taking the profit. Police in Stockholm arrested the trader yesterday morning. Although he has not been formally charged, he has been detained on suspicion of "serious breach of faith and serious embezziement".

"This the largest internal fraud uncovered for years," sa Jussi Laitinen, executive vice president of Nordbanke Markets, the bank's Stockholm-based equity trading bus ness. Mr Laitinen emphasised that none of the bank's di ents had incurred any loss, while the bank itself was insured against fraud, Tim Burt, Stockholm

CAR PRICES

Netherlands 'best for bargains'

UK consumers should buy their cars abroad, according to the latest European Commission survey of car prices in the EU - and preferably in the Netherlands.

Of Europe's 76 best-selling models, 57 are more expensive in the UK than elsewhere. The Netherlands is the best place for bargains, followed by Spain, Portugal and Swe-

The Commission said the drop in the value of the pound since last year had narrowed the gap between the UK and other countries, but said it was still inundated with complaints from British customers who face difficulties when trying to buy a right-hand-drive car on the continent, Overall, price differences have decreased significantly since the last survey in May last year. Emma Tucker, Brussel

TURKISH PRIVATISATION

Turk Telekom plans sell-off Turk Telekom, the Turkish telecommunications company

estimated to be worth around \$10bn, said yesterday it was preparing itself for privatisation in the expectation that a first strategic sale of 20 per cent of the company would go ahead soon after elections in April.

Attila Sezgin, general manager, said the company would next week put out to tender a contract for consultants to advise it on reorganising and modernising its management structures and practices.

Turkey has stipulated that the buyers of a 20 per cent strategic stake must feature a world class international telecommunications operator. It plans to sell another 14 per cent of the company to international and domestic investors and 5 per cent to staff. A further 10 per cent will go to the post office administration, while 51 per cent is to remain in state hands. Leyla Boulton, Ankara

Transparency shapes up as main challenge



By Tony Barber in Frankfurt

The degree to which unelected European Union institutions should be open and accountable is shaping up as one of the EU's biggest challenges of the year. It was visible last month in the voters have a right to be ECB has a strictly limited attempt by the European informed about how the 17- mandate, it should be held parliament to assert its member council reaches a accountable for fulfilling power against the unelected decision to raise, lower or that, and nothing else. Powbut relatively strong Euro- leave unchanged euro-zone erful though it is, the ECB is pean Commission

The issue is equally imporsecretiveness and lofty disre- economist.

gard of public opinion. In these early days of the euro, critics are concentrating their fire on the ECB's refusal to publish the minutes of its Governing Coun-The council's control of

monetary policy affects the well-being of millions of people and businesses in the 11-nation euro-zone and even ing of monetary policy?" beyond. Surely, the arguinterest rates.

tant for the European Cen- its most trenchant response

"You could imagine live broadcasts of all Governing Council meetings, committee meetings, perhaps including ...all words uttered in the corridors of power. George Orwell in reverse, if you will ... Would such complete openness really enhance the general public's (and even

the specialists') understand-

Mr issing's strongest argu ment runs, businessmen and ment was that, since the not the central banking Last week, the ECB gave equivalent of Thomas Hobbes' Leviathan. Nor does tral Bank, which is discover- so far, in the form of a it have an obligation to eliming to its discomfort that it speech by Otmar Issing, the inate unemployment, raise is attracting accusations of bank's redoubtable chief living standards or produce rabbits out of hats.

Economic indicators for euro-11 countries

	Dec 1996	Nov 1998	Oct. 98	Sep 98	Aug 98	Jul 66	97	96
Inflation (annual % change)	0.8	0.9	1.0	1.0	1.2	1.4	1.5	2.2
Unemployment (%)	n/a	10.8	10.8	. 10.9	11.0	11,0	11.5	11.6
Trade (Scu bn)								
Exports .	n/a	p/a	68.7	66,6	56.1	72.4	760.8	567.7
Imports	n/a	p/a	61.1	60.3	48.6	58.9	671.4	594.2
Trade balance	n/a	e/s	7.5	5.2	6.5	13.5	89.4	73.5
Current account (Ecu bn)	Q3 1998	0	02 98			Q4 97		03 97
Current account balance	21.5		25.0	12.4		28.6		26.0
As % of GDP	1.5		1.7	0.9		2.0		1.9
industrial production (%)	Aug-Oct/	Jul	-Sep/	Jum-Auct/		May-Jul/		1996
(3 mp over previous 3 mg	May-Jul	Ap	Apr-Jun Mer-Way		1	Feb-Apr		
	0.6		0.7	0.8		0.8	4,111	0.011
GDP growth (%)	Q3 1998		02 98	Q1 9	. 8	Q4 97	97	96
Over same quarter last ye	¥ 2.7		2.8	3.6		2.1	. 25	1.5
Money supply	Nov 1998	Oc	198	Seg 96	Aug 98	Juls	20	Jun 96
M3 Annual growth rate (%	4.5		5.6		4.5			5.3

FT Maps

The FT is now able to offer the following world and industry specific maps for purchase in a wallchart or folded format:

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> FINANCIAL TIMES No FT, no comment.



Copyright law set to spark showdown

By Emma Tucker in Brussels

The European Commission is heading for a showdown with the European Parliament over proposals to harmonise copyright law across

The Commission believes parliamentary amendments to the copyright directive. which strengthen protection for artistic works distributed electronically, would place intolerable burdens on telecome operators and could even jeopardise the development of the internet

executive plans to reject a number of the amen which were tabled by an influential parliamentary committee two weeks ago and expected to be adopted by the full parliament next

But its decision - to be agreed at a meeting today will increase tensions with the parliament at an already fraught time. The parliament, which last month voted narrowly against sacking the Commission for alleged fraud and mismanagement, is in no mood to The European Union's see its wishes snubbed by

the Brussels executive. which still has the sole power to initiate legislation. The Commission's position has also enraged the powerful recording industry, which lobbied the parliament hard in order to ute the works. tighten copyright protection for music and other forms of art distributed on the inter-

the digital era so that material protected by copyright does not encounter obstacles when flowing from one RU

The original Commission own - should not be covered proposal sought to maintain by copyright law. However, a balance between the rights one of the parliament's holders, worried about amendments would modify come operators that distrib-

The most bothy contested amendment concerns tempo- holder. rary copying - incidental The directive aims to har · are made in passing as data monise EU copyright law in flows across the internet. The Commission proposal said such copies - which are ators as it would require dictated by technology and which have no separate economic significance of their

piracy of digitally transmit- the proposal so that such ted material, and the tele- copies would only be exempted from copyright law where their distribution was authorised by the rights Mario Monti, the single copies of music or films that market commissioner in

charge of the directive. believes this would place a straitjacket on internet operthem to monitor all the information that passed across their networks.

AEROSPACE INDUSTRY GERMANY STILL WANTS CONSOLIDATION DESPITE BAR/GEC DEAL

European defence unity urged

Raiph Atkins in Bong

Germany strongly believes in the creation of a united European aerospace and defence company (EADC) in spite of last month's all-British deal between British Aerospace and General Electric Company, the German aerospace minister said yesterday.

"The EADC is an important aim for the industry and we should stick to this aim," Siegmar Mosdorf, government co-ordinator for serospace in the federal economics ministry, said in an interview with the Financial Times. The EADC was part of giving Europe a stronger dentity in foreign and security policy, he said.

Mr Mosdorf also stressed the urgency of turning the Airbus Industrie consortium into a single corporate entity in order to compete with Boeing of the US. "Time is money," he said, estimating Boeing would recover from An EADC had to be a its recent production prob-

bus and EADC processes may have been set back by at least two years as a result of BAe's decision to buy the Marconi defence arm of GEC. BAe had been negutiating separately on a merger with DaimlerChrysler Aero-

lems within two years. But he feared both the Air-

space (Dasa) of Germany, which has called the BAe/ GEC deal an obstacle to European integration. Mr Mosdorf said the delay could occur because France, EADC.

which is in the midst of privatising its aerospace and companies, may want to integrate them in an that the timetable of sum-attempt to match the size of mer air shows be revamped BAe/Marconi, Mr Mosdorf to give Berlin's equal billing

sary to find a formula for a balanced partnership in which it would not be possible for the interests of any country to be out-voted not mean a right of veto for any participating company. Mr Mosdorf is proposing to

other European industry ministers that they adopt at a meeting in Rome this summer a detailed plan leading towards creation of an

industry to co-operate across Europe, he is also suggesting with those at Paris and Farnborough. He suggests merger among equals". Mr the three events rotate year Mosdorf said. It was necesby year. The Farnborough and

Paris air shows alternate this year it is the turn of Paris. The Berlin show, which is on a smaller scale, takes place every two years in the same year as Farnborough. The Society of British Aerospace Companies, which stages Farnborough, said it had rejected previous suggestions because there was demand from industry to hold its show every two

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RUSSIAN ECONOMY POLICIES UNLIKELY TO SECURE AID

IMF sees Moscow plan fall short

The Russian government yesterday completed a new economic plan which falls short of objectives set out by the International Monetary Fund for release of new financial aid.

Yevgeny Primakov, the prime minister, yesterday completed work on a document of about 40 pages detailing a range of budgetary and fiscal objectives drafted in response to requests from the IMF.

However, the policies and targets it outlines - which have been circulated in draft form over the last few days - are believed to fail to meet some of the previous assuraures tentatively agreed by top negotiators on both sides just before Christmas.

The document has been prepared against the backdrop of negotiations in Moscow between the government and a high-level mission of IMF officials from its Washington headquarters. The talks come to an end

The Russian government

By Peter Norman in Brussels

Russia should adopt the euro, Europe's new single

currency, to escape its grave economic and social crists.

according to Michael Emer-

son, a former European

Union ambassador in

Mr Emerson, ambassador

until 1996 and now a senior research fellow at the Brus-

pean Policy Studies (Ceps)

A "euro-isation" of the

Russian economy would give

the financial system new,

healthy foundations and

Russia's capacity to service its debts. At present, Russia

is unable to raise finance because it must pay an inter-

The French government has approved a new high-speed.

rail link between Paris and

Strasbourg on the eastern

border with Germany, which would almost halve travel

time to just over two hours.

completed by 2006 at a cost

of FFr20.5bn (€3.12bn.

\$3.62bn) and will allow time

savings with routes to other

EU centres, including Paris-

Frankfurt and Paris-Zurich.

The first studies for con-

necting the French capital

with Strasbourg - seat of the

European parliament - were

made 10 years ago. But suc-

cessive governments have

always favoured other pro-

jects as being more viable

The socialist-led govern-

ment of Lionel Jospin

decided to go ahead with the

project last year but failed to

resolve squabbles among the

regions over financing. At

the same time the Europesa

Union raised questions

about its proposed contribu-

tion towards the construc-

tion. The line's cost is esti-

mated at PFr67m per

However, late last week

differences were finally

resolved and the exact route

finalised. The line will be

some 30km longer than originally envisaged and FFr2.5bn more costly. The

part approved covers 320km

from Paris, via Vaires-sur-

Marne to Baudrecourt, where it will then join the

traditional track for the

remainder of the journey to

kilometre.

for the fast TGV trains.

Most of the rail line will be

hold out hope of restoring argued that a wider euro

Paris to get

fast train link

Moscow.

adopt euro to

escape crisis'

from the IMF to help close its budget deficit, revive its flagging economy and pave the way for loans from a number of individual countries and international

It has so far held inflation below the levels feared by many analysts, and has attempted to introduce a tough budget to stabilise its economy.

matched by high-level inter-national diplomacy in an effort to win new support, including talks efforts at the World Economic Forum in Davos last week between Mr Primakov and Al Gore, US

On Russian television on Sunday evening, Mr Prima-kov admitted that the government could not meet the objectives requested by the IMF for the 1999 budget. But he stressed the version approved by parliament last plus ahead of debt servicing costs for the first time in Russian history.

Absent from the latest pro-

and Russia in Moscow on

irony. "I think this schem

currency and join the euro."

Bank would almost certainly

the euro unilaterally. But he

area was certain to develop and embrace countries such as Bosnia, Bulgaria and

Estonia which aiready tied their currencies to the euro-

through to Strasbourg, cut-

ting the journey to one hour

47 minutes against the two

FFr8bn of the total cost,

although nothing will be dis-

bursed until the 2000 budget. The EU has agreed to fund a

further FFr2.1bn. The Duchy

of Luxembourg will provide

FFr700,000, as Paris-Luxem-

bourg travel time should be

says the trains will be the

The transport ministry

Until now Alstom, the

Franco-British group, bas been the TGV provider in

France but the transport

ministry says the contract

for the Paris-Strasbourg link

Over the past 20 years

almost 1,300km of high-

speed track has been laid in

While passenger traffic

has picked up rapidly, grow-

ing 11 per cent in 1998, suc-

cessive governments have

justified the TGV primarily

on socio-economic grounds

and the fare structure has

With the state-run rail-

ways, SNCF, split into an

operating company and a

track, there is now pressure

Within 18 months the full

Paris-Marsellies link will be

operational, putting this Mediterranean port within three hours of the French

reflected this.

will be put to tender.

reduced to three hours.

Vladimir Mau, director of

February 18.

with the restructuring of the country's banking sector, which was crippled by the August financial crisis. Other elements criticised by the IMF include the threat to block pipeline access to energy groups refusing to supply oil to domestic refineries that do not pay their

There is also a lack of detail or any precise timetable for proposals that the government has made con-cerning privatisations, the reform of monopolies and changes to competition pol-

The proposals cite optimistic forecasts about domestic economic recovery which are being interpreted with

Mr Primakov said on Sunday that the current exchange rate of \$22.50 to the rouble - roughly the level set for the entire year in the 1999 budget - "should be lower" and was only so high because of "psychological pressure".

Before the August crisis, it stood at \$6 to the rouble.

'Russia should European pension fund plan coolly received his idea at a Ceps conference this week shortly before a planned summit of the EU

Investment Corresponder

the Russian government's ground-breaking pan-Euro-Working Centre for Ecopean pension fund have nomic Reform, said such a scheme might be theoretifoundered as multinational companies have shied away cally attractive but was from fighting national tax politically impossible. "I have a dream that at some authorities and arguments sels-based Centre for Euro- point the dollar and the euro have emerged over the right approach to use. will join forces in one single world currency and that

Organisers of the Pan-Ru should follow the example of leuro," he said with heavy in its proposals to bring a Mr Emerson acknowledged test case on the issue even that the European Central tually to the European Court be hostile to Russia adopting

Robin Ellison, head of pensions at Eversheds law firm and one of the founders of the European Commission to the issue. "The mere formation of this association has influenced the political cli-Strasbourg and mate regarding the formation of pan-European pension funds," he said.

Mario Monti, the single had expressed support for Pepa, put the issue of pan-European funds on the agenda of a high-level Taxa-tion Policy Group of senior national ministers last year.

Pepa had initially attracted interest from mu tinational companies keen to challenge the current system, which makes pan-Euro pean funds unworkable because of national tax reliefs and the costly hursen

An ad-hoc committee was formed, including Zeneca. the UK-based pharmaceutithe Anglo-Norwegian engi neering group. The corporate activity of those involved from takeovers to restructuring - is understood not to have helped its pensions executives gain backing for

the legal challenge. One of them said that the association was also hampered by a growing belief issue could be harmful to the companies involved. Mr Ellison said: "Maybe it is better to let national governments sort it out rather than get into head-to-head conflict

with the fiscal authorities." Pepa also suffered from a failure to garner much support from companies based outside the UK and US. Continental European pension funds expressed disquiet over the litigious nature of the association.

Mr Ellison said the failure of Pepa to attract enough support could be a setback for the early creation of panhe added that the Pepa committee, which had collected between £30,000 and £40,000 (\$50,000-\$65,000), would meet again in six months to consider action if proposals by the European Commission

Mother Russia opens arms to Belarus - who will be next?

Reunification agreement has sparked fears of chain reaction among former Soviet republics, writes Charles Clover

n a wintry day in ishing the USSR. December 1991 in a cot-tage in the western forest of the Belarus Soviet Socialist Republic, three men gathered to put an end to the 70-year-old Soviet

What Stanislav Shushkevich, then chairman of the Belarus partiament, remembers most vividly about the other two - Boris Yeltzin, president of the Russian republic, and Leonid Kravchuk, chairman of Ukraine's parliament - is their motives.

"Yeltsin at that time was a lemocrat, a man of principles," reminisced Mr Shushkevich. Thinking it over he added: "Yeltsin also wanted to get rid of [Mikhail] Gorbathe USSR] by getting rid of the USSR.

Mr Kravchuk had been elected president of Ukraine a week before in a referendum that simultaneously declared Ukraine independent from the Soviet Union. "For Kravchuk," remem-bered Mr Shushkevich, "the

main thing was the referen-

As for himself, Mr Shushkevich may or may not have harboured political ambitions similar to Mr Yeltsin's and Mr Kravchuk's, in addition to wanting to see his native Belarus independent for the first time in centu-

But on that day, the three men's tangled objectives coalesced into the Belovezhskaya accord, formally abol- parliamentary speaker

Soon after, the three men flew back to their capitals to victorious welcomes. However, things started to

Mr Shushkevich and Mr Kravchuk have since been voted out of office in favour of candidates who campaigned for closer ties to Russia. And at the end of last year came the culmination of the process of undoing nearly everything that Mr Shushkevich had done

for his country. On December 25 Mr Yeltsin met Mr Shushkevich's successor as president of Belarus, Alexander Lukasbenko, and signed four agreements, according to which Belarus and Russia are scheduled to be re-unified by the end of 1989.

oes Mr Shushkevich feel that Yeltsin betrayed him? "Yeltsin's problem is very familiar," he said ruefully. "Anyone who stays too long in the Kremlin develops the Kremlin disease." There are concerns.

meanwhile, that the Belarus-Russia unification could affect more countries. even touch off a chain reaction among other former Soviet republics, whose economies have performed badly since independence from the USSR. Ukraine's gross domestic product, for example, has fallen by 60 per cent since 1991.

In Ukraine, for example,

week called the prospective union between Belarus and promising path" which, he implied, might include

"For Ukraine, the seven year path from Belovezha has turned out to be seven big steps downwards," he said, calling for "Slavic unity and brotherhood". And on January 14 Mr

Tkachenko proposed that Ukraine Russia-dominated inter-parliamentary assembly Commonwealth

Independent States, a suggestion which provoked a bench-clearing brawl between communists and nationalist deputies in the chamber. Mr Tkachenko has scheduled another vote on the tonic tomorrow. Campaigns for Ukraine's

presidential elections in October are just getting into full swing and are likely. just as they did in 1994, to emphasise the Russified east, which is far more populous than the west of the country, and where unification is popular.

"We are expecting the issue of unification to dominate Ukraine's political scene the rest of this year," Kiev.

And while both Mr Shushkevich and Mr Kravchuk were voted out of power for their nationalist leanings, the wily Boris

AND PROPERTY.



Shared history: Boris Yeltsin (centre) pictured with Alexande Lukashenko, president of Belanzs (right), and Russian Orthodox

to further his political career in 1991, was able to reverse power, this time by leading the charge in the other

In 1996, for example, when he faced a tough election battle against Communist Gennady Zyuganov, Mr Yeltsin was able to outflank his opponent when he travelled again to Belarus, Shushkevich's nemesis, Mr Lukashenko, and sign the first of the agreements endorsing countries.

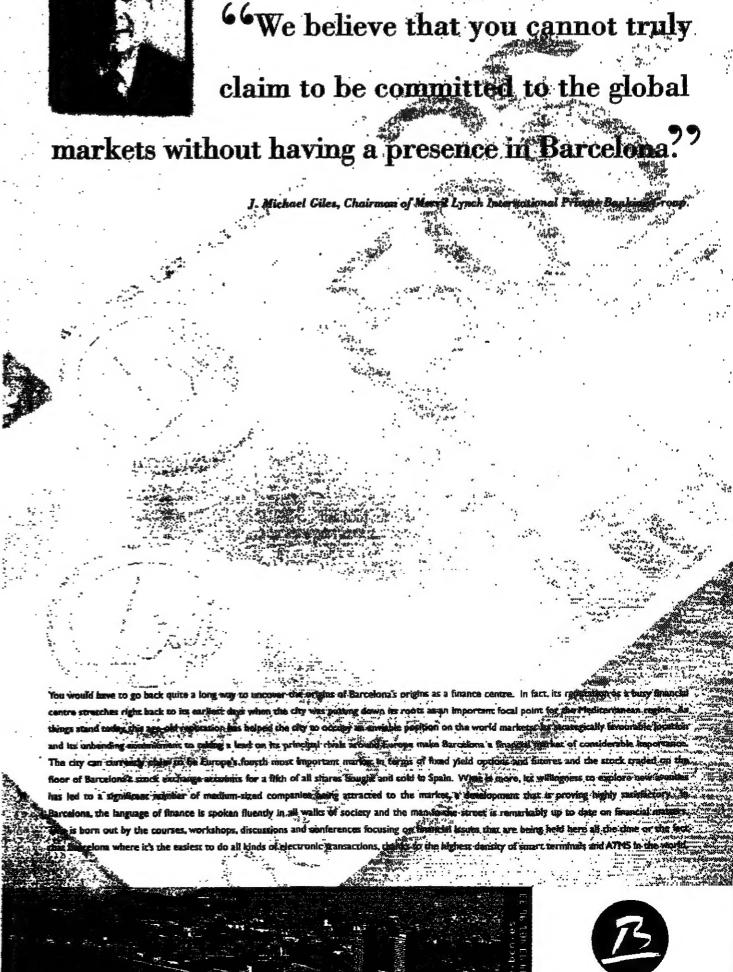
And the crash of the

added considerably to Russia's frequent urge to direction and hold on to stitch its empire back together.

> According to Valery Karbalevich, a political analyst in Minsk, August, the main driver of integration has changed from being Belarus to being Russia.

He explained: Russian elite at the beginning of the 1990s made would sacrifice its empire for the sake of higher living further standards and economic integration of the two development. The August crash put an end to this bargain. Quite simply, they Russian rouble in August didn't get economic last year and simultaneous development, and so they Yeltsin, who had used the currency and banking crises want their empire back."







Japan sees tax revenue fall by 5.4%

The deterioration in Japan's government finances was highlighted vesterday by figures showing that December tax revenues fell 5.4 per cent largely as a result of lower corporate tax revenues.

The revenue fall to Y2,596bn (\$22.3bn) came in government debt took the largely from a 20 per cent decline in corporate taxes collected to Y265bn as companies felt the squeeze from a sluggish economy.

The news added further gloom to the markets where minister, attempted to damp the Bank of Japan to buy

on bonds and equities. Fears rates would have on eco-that any future unwinding of nomic activity. "I don't cross-shareholdings by Japanese companies could hit equity prices unsettled Tokyo stock market and the Nikkei index fell 34.07 to 14.465.16.

At the same time, rising concern about the expansion yield on the benchmark 10cent, its highest level since mid-1997.

Koji Tanami, vice-finance

higher long-term interest expect the long-term interest rates to have a negative impact on the private sec-tors' cash demand." he said yesterday.

However, unease about the ability of the Japanese economy to rebound has prompted moves within the ruling Liberal Democratic year government bond to a party to look for further peak yesterday of 2.11 per ways to increase economic activity.

A key group of LDP politi-cians is considering allowing concern about the economic concerns about the impact government bonds directly

in an effort to support the economy. Okiharu Yasuoka, who

heads an LDP financial-system revitalisation panel, said that given the severe impact deflationary pressures could have, his panel would consider a range of measures, including underwriting government bonds by the Bank

other senior LDP politicians and by the BoJ itself. saru Hayami, bank governor, has vehemently the bank should underwrite

the bonds since he believes

The idea is opposed by

rather than expand its balance sheet. Bank officials also fear that directly purchasing government bonds to could shatter the central bank's credibility.

Although the central bank is permitted to buy JGBs in the secondary market, it only does this to manage its regular monetary operations, rather than as deliberate anti-inflationary

But Mr Yasuoka's willingness publicly to discuss cenopposed any suggestion that tral hank underwriting of the backing of at least some

key members of the LDP. His comments provide the first public indication that elements in the government are considering this unorthodox anti-deflationary step. Brian Rose, economist at Warburg Dillon Read said: This is a political bomb. I don't think the government

this yet, but it might later." Mr Yasuoka's panel is also considering the possibility of setting up a government body to buy shares in an effort to prevent the unwinding of cross-shareholdings by Japanese corporations from

is desperate enough to do

Australia share ownership rises

Direct share ownership among Australians surged in 1998, reinforcing Australia's position in second place in the world league of share ownership, behind only the US, the Australian Stock Exchange (ASX) said.

In an annual survey published yesterday, the ASX said the number of Australians who directly owned shares rose about 10 per cent last year, to 4.4m people, or 32 per cent of the adult popu-lation, largely because of a series of successful flotations, which included AMP. the Australian insurance and funds management ting agency.
About 1.6m Australians

received shares as part of AMP's listing last June. including 730,000 first-time investors, the highest number of first-time share owners entering Australia's now at 4.75 per cent. would stock market at one time, stay unchanged. the ASX said.

Total share ownership, including indirect shareholdings through superannua- low inflation in Australia tion funds, showed a sharp cushioned the economy increase from the 1997 sur- against turbulent global vey, which put total share trends.

ownership at 34 per crot of the population.

The results came as the ASX hit a high on Monday. its benchmark All Ordinaries index rising one per cent to 2,923.7 points on turnover of A\$972m (US\$607.5m), surpassing the previous record cluse of 2.897.3 last month.

Market players were looking to today's meeting of the Reserve Bank board, the central bank board's first meeting of the year, although analysis ruled out a further interest rate cut.

Unexpectedly low inflation figures for the December quarter had fuelled specials tion of a rate cut later in the giant, and TAB, a state bet- year, following the bankla unusual move to cut rates by a quarter of a percentage point in December. But economists said yesterday the Australian economy was at present in no need of stimus lus and official cash rates,

Peter Costello, the traesurer, yesterday said the "continuing dream-run" of

India and US near N-test sanctions deal state, and Jaswant Singh. vately suggested that the has given to the United tarian lending to both India India's foreign minister. A talks produced substantial Nations and India's parlia- and Pakistan by multilateral

By Mark Nichelson in New Delbi

India and the US are moving towards an agreement by which Delhi would agree to accede to the Comprehensive Test Ban Treaty, perhaps within a few months, would do so in return for having economic sanctions, imposed by the US after India's lichy suggesting any "break- said: "What we are witnessnuclear tests last May, lifted

emerged after three days of prompted by India's nuclear talks between Strobe Tal- weapons tests. But both US are directed towards a combott, US deputy secretary of and Indian officials have pri- mitment the prime minister

joint 'statement after the talks ended on Sunday hailed them as "laying the foundations for a new. broad-based relationship that has eluded the US and India in the past".

Both sides resisted pubthrough" from the weekend

movement towards an eventual deal to lift sanctions in return for India's signing the CTBT, which it has traditionally and staunchly opposed, around the middle of this year.

In an interview, Mr Singh ing is the synergy of small irst. talks, the eighth in a series steps, as against the explo-The outlines of such a deal of Indo-US discussions sion of a breakthrough as such - but the small steps

Atal Behari Vajpayee,

India's prime minister, promised at the IIN last year that India would work towards the "successful conclusion" of negotiations regarding the CTBT.

Mr Talbott yesterday met the Delhi ambassadors of the G8 group of industrialised countries to discuss the progress of the latest round of US-India talks. The eight agreed to freeze non-humani-

agencies, including the World Bank and Asian Development Bank, in response to their respective nuclear tests. The US has since waived the restriction on Pakistan, citing its acute financial crisis.

The persisting block on lending to Delhi from international financial institutions has led to the deferral of more than \$2bn worth of loans from the World Bank and the ADB.



Strobe Talbott: laying the

NEWS DIGEST

CHINA UNICOM

Ministry official to head telecoms group

China Unicom, a second state telecome company established in 1994 to provide competition for China Telecom, the dominant state player, appears set to fell under greater official control with the planned appointment of a

senior ministry official as its chairman. Yang Xianzu, the first vice-minister of information inclustry, is expected to be made chairman and possibly general

manager of Unicom shortly, telecoms officials said. Analysts said the planned appointment, which co-incides with talk of other personnel changes at the higher levels of the Ministry of Information Industry, could strengthen official control over competition between Unicom and China Telecom, and allow Beijing to exercise increased influence over telecoms equipment procurement decisions. China has said that, where possible, the equipment made by local Chinese companies should be bought before that of foreigners. Mr Yang has publicly endorsed this "buy local" policy over the past few months. James Kynge, Beljing

South Korean Economy

IMF to raise growth forecast

The International Monetary Fund is expected to revise upward its economic growth forecast for South Korea this year to 2 per cent from minus 1 per cent. The new IMF forecast comes in spite of a warning by Hubert Neiss, IMF Asia-Pacific director, that Korea is in danger of becoming complacent about a sustainable recovery.

Meanwhile, Seoul yesterday said imports had increased by 15.4 per cent last month in a sign of increased incustrial investments as companies restock inventories of raw materials and capital goods. Analysts said investment had been on the rise since the second half of 1998 as the govemment tried to revive the economy by easing fiscal and monetary policies. John Burton, Seoul

Japanese Industry

Vehicle sales decline

Japanese domestic vehicle sales dropped in January by 6.2 per cent year on year to 241,511, the 22nd consecutive month of decline, highlighting the industry's continuing plight. The Japan Automobile Dealers Association yesterday reported sales of cars over 2000cc and trucks were particularly badly hit, recording declines of 9.9 per cent and 18.7 per cent. Cars up to 2000cc were up 2.1 per

cent in a year-over-year comparison. Chikao Masuzawa, analyst at ING Baring, said: "As last year's sales figures in January were very low, this month's decline is not very encouraging. However, we are comparing 18 working days in 1998 with 19 working days in 1999; this accounts for a part of the decrease. Given that the decline is single digit, the figures are not disastrous." Julie Hess, Tokyo

TAIWANESE ECONOMY

Interest rates reduced

Taiwan's central bank has cut interest rates as part of a series of measures aimed at boosting growth and countering the effects of Asia's economic crisis. The bank's fourth batch of rate cuts in less than half a year came on the same day as the Taipel stock index fell to a 32-month low on worries about Taiwan's economic health.

Hsu YI-hsiung, central bank deputy governor, said there was room for further reductions after a 25 basis point cut that brought the rediscount rate to 4.5 per cent. The bank, which cut its rate for secured loans by 25 basis points to 4.875 per cent, said the move reflected high financial mar-ket liquidity. Mure Dickle, Talpei

AUSTRALIAN INITIATIVE

Asia aid flows to be studied

Australia is to host a meeting of international aid donors and Asian governments in March to seek ways of improving flows of assistance to countries hit by economic crisis. Alexander Downer, foreign minister, said the meeting in Alexander Downer, roreign minister, said the meeting in Sydney would not be a pledging session. Instead it would look at ways of better co-ordinating the provision of humanitarian assistance and promoting good government. Senior officials from the US, Europe, Japan and other industrial countries are likely to attend, while recipient countries will be represented at ministerial level.

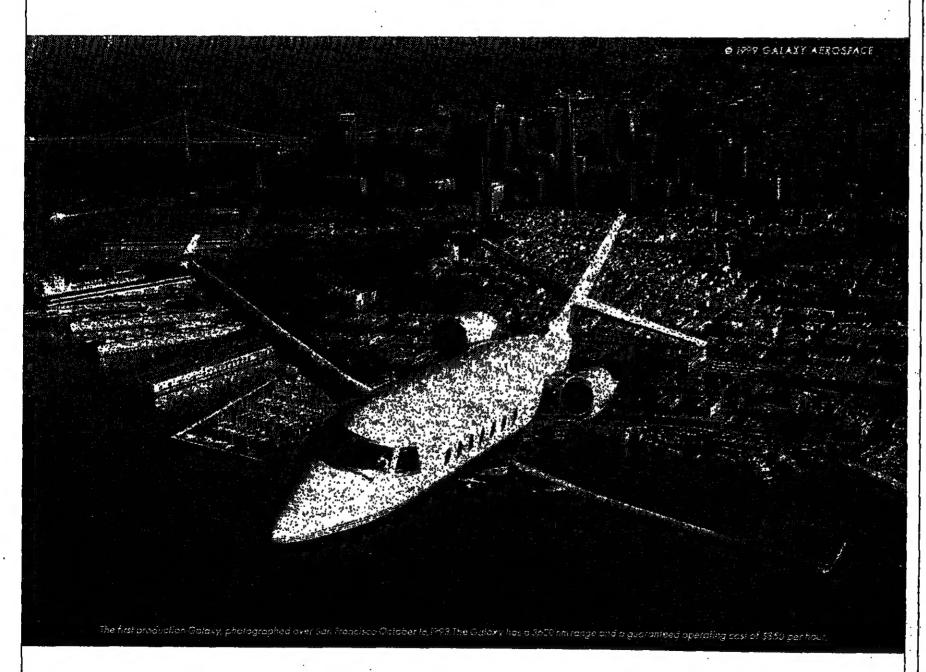
In a speech to the Royal Institute of International Affairs in London, Mr Downer also warned that regional stability could be harmed by uneven cuts in defence spending across Asia as countries reacted to differently to the crisis. The change in the relative military strength was "potentially a problem," he said but declined to give specific examples. Peter Montagnon, Asia Editor, London

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West plans \$1.5bn package for Nigeria

Western governments and lending agencies are preparing a conditional \$1.5bn package of support for Nigeria in an effort to ease an economic crisis which could destabilise the civilian Africa's most populous government due to take office at the end of May. most serious strains since

Provided the winner of this month's presidential independence in 1960. poll backs the economic reform programme introduced by General Abdulsalami Abubakar, Nigeria's military leader, an informal meeting of donors, chaired by the World Bank, is planned for March.

This will be accompanied by first steps towards rescheduling Nigeria's \$29bn he said.

ered momentum following Nigeria's recent return to break, reflects the imporreturn to democracy of nation, at a time when its economy is undergoing the

The transition was at "a and the African continent". Gordon Brown, the UK chancellor of the exchequer, told a private dinner at the World Economic Forum in Davos on Saturday night. "The west has to play its

commitment to open govern-ment, sound and transparent ment officials expect the full institutions of policy, and a shift in spending towards health and education," the chancellor warned.

Earlier this month Nigeria met some of the main conditions of an IMF agreement when it ended a two tier-exchange rate, ended a subsidy on domestic fuel, and pledged faster privatisation of state-owned companies.

This paved the way to an tored programme, which the Fund board is shortly expected to approve. The proposed donor meeting in March, say western officials, will be part of an effort to help bridge Nigeria's 1999 financing gap. estimated by Ismaila Usman. the finance minister, at

DELTA REGION RISING VIOLENCE BY TRIBAL ACTIVISTS THREATENS TO COMPLICATE TRANSITION TO DEMOCRACY

the price of oil, which accounts for 95 per cent of export earnings, to hit the country mid year, shortly after the scheduled handover to a civilian administration.

Fund officials fear that there is a risk of social unrest in a country already under considerable strain. Unemployment is rising, per capita income has fallen from a peak of nearly \$1,000 a year to about \$250, the country's infrastructure is near to collapse, and the naira, worth a dollar in the early 1980s, is worth barely cent today.

But western officials make

mitment to reform from a country that has failed to keep past pledges to the DAF and is notorious for corrup-

Although the presidential election takes place at the end of February, the inauguration of the new administration is not until the end of

Given the backing of the president-elect, and provided here is continuing evidence of the government's commitment to reform, say western officials, a Sibn three-year extended structural adjustment loan from the Fund could be close to agreement by the time the new civilian dministration is installed.

The combination of the clear that Nigeria will have first tranche of the IMF loan, to overcome widespread fresh lending from the World

ability of at least \$300m in aid from the European Union undisbursed during the preceding military regime of the late General Sani Abacha, would help

close the financing gap. Nigeria, which will be claiming eligibility for debt relief on the highly concessional terms offered by the joint World Bank/IMP Heavily-Indebted Poor Countries Initiative (HIPC), also hopes to open formal negoti-ations on its \$200m debt to the Paris Club of official creditors in April

The proposal has so far met with a sceptical response from the Club, whose \$20bn debt has not been serviced for some

Saddam offers 'prizes' for downing jets

Iraqi President Saddam Hussein is taking his defiance a step further and promising a 25m dinars (\$83,000) award to air defence troops who shoot down a US or British warjet patrolling the no-fly zones.

Nabd al Shahb, an Iraqi newspaper, said yesterday the presidential office would also pay 10m dinars for bringing down a missile, and a further 5m dinars for the arrest of an enemy pilot. These sums are fortunes in a country where monthly salaries are worth a few US dol-

Since the US and British air strikes on Iraq in Decem-ber, Baghdad has been firing at US and British jets patrol ling the northern and southern no-fly zones mposed over the country, and periodically sending its sircraft into the exclusion

Bringing down a jet would boost troops' morale, following the pounding of military installations in Operation

The US military has been given expanded rules of engagement allowing it to strike at any part of Iraq's air defence system. Derek Fatchett, minister of state at the UK foreign office, said yesterday that jets would continue enforcing the no-fly zones as a "necessary

following the 1991 Gulf war to protect Iraq's Kurds in the north and Shies in the

were not set up as part of a United Nations resolution and are only enforced by the US and Britain.

Mr Fatchett yesterday called on Baghdad to co-operate with the three panels set up by the UN Security Council on Saturday to review progress on disarmament, the humanitarian situation and the issue of missing Kuwaiti prisoners and property.

The panels are to report back to the council in April Baghdad has dismissed the UN decision as a way of prolonging the eight-year UN

Speaking at London's Royal United Institute for Defence Studies, Mr Fatchett portrayed the UN decision on the panels as having reestablished consensus on Iraq at the Security Council. The council has been deeply split since the US and British raids. But he said the panels could achieve progress without Iraci co-opera-

for US and UK policy, Mr Fatchett added, was that the panels revived the role of Unscom, the UN weapons inspecting commission

Russia wants Unscom abolished, but agreed that would involve the participation and expertise from the UN Special Commission", as well as other UN disarma-

disruption for oil companies

Risk of more

Nigerian troops and protesters in the oil-rich Niger Delts continued unabated at the weekend, with 19 people reported killed close to the Forcados crude export terminal operated by Royal Dutch/Shell, the biggest for. Delta as a result of what oil eign oil company in Nigeria. Last month dozens were munity action". killed in neighbouring Bay. They say the tension is the elsa state after troops were called in when young activ- For an older generation of

The violence between

onshore oil production, The latest incident underscores the rising tension in the maze of creeks and manthe area, where foreign petroleum companies face the prospect of more widespread and violent disruption to their operations violence, their authority unless the military government takes steps to meet the demands of local communi-

ties for a greater share of the

Niger Delta's oil wealth. So far the government has only announced the formation of a high-level commiteven though the growing conflict in the Delta could complicate the transition to and challenge the incoming civilian government's ability ljaw villagers and their

the government proves insincere in dealing with their demands, and that the next wave of oil field disruption could be far more extensive. About 200,000 b/d of ing to Royal Dutch/Shell and Chevron - is shut across the companies describe as "com-

worst they have experienced. ists of the Ijaw tribe threat- residents the reinforcement ened to shut much of the of troops and gunboats has recalled the civil war 30 years ago, fought in part in grove swamps from where

the oil is pumped. Although many traditional leaders have argued against among the younger generation has been groded by the perception that they have been corrupted by payoffs from oil companies and the government.

"If we're not careful soon the traditional leaders will be the target as it happened in Ogoniland," said Antony Ikenibo, paramount ruler of the Akassa clan along the democratic rule in Nigeria Atlantic coast. "There they they butchered them."



US oil fire experts extinguish a seven-day biaze lest October that began after a pipeline

Although residents differ in how to approach the comthere is no disagreement about the need for a radical redress of their grievances. The liaw, numbering several million, are Nigeria's fourthlargest tribe. But while they are a minority group in some the overwhelming majority. The state, described on vehicle licence plates as "the pride of the nation." is littered with examples of past felt obliged to step up their frustration at the deterioratfailures to share Nigeria's oil own contribution to the ing situation in the Delta clashes a big uncertainty wealth with the regions that region's development, but has led them at times to among both the companies produce it. There is only one paved road leading to Yenawere appealing for calm but tor enriched herself through the youths thought they the supply of cement for gov- a recent visit to Sangana, a which were left half-finished.

where most of the population lives there is no electricity or clean water. Formal them by Texaco which opergovernment services are ates a nearby rig. Several non-existent. The jungle has community leaders said they reclaimed schools and health centres. To add insult to they could not be distributed injury fuel prices are more than four times the official of jealously among villagers. states, in Bayelsa they are level, in a riverine area where boats with high consumption engines are the drink," said Javan Wongoro. lifeline to the outside world. a community elder.

The oil companies have some of their actions are embark on seemingly desperexacerbating tensions. Their ate strategies. Several comefforts are also undermined by their fear of talking directly to villagers. During small fishing port, residents

other foodstuffs offered to resented such offerings as equitably and were a source "Our grandfathers were deceived with food and

Moreover, the companies panies have put liaw youths on the payroll and asked them to do nothing more than stay at home and out of trouble. But in the case of vent the conflict from enter-Shell, this tactic tearly back ing a more dangerous phase.

In the fishing villages over the distribution of a fired it hired youths from Nembe, one of the biggest fishing towns in Bayelsa, who approached their counterparts in Akassa with a

proposal that they kidnan the Nembe group. The aim was to split a ransom that Shell would have been asked to pay. The Akassa youths, who last December received more than \$10,000 to return a hitacked seismic boat,

rejected the scam. In the light of the latest and the communities must be whether the Delta is now Abuja, the federal capital, may not be enough to pre-

'Triple cocktail' hope in Aids fight

prevent the onset of duced in the mid-1990s, full-blown Aids without argue that lipodystrophy resorting to drugs suspected the heavy build-up of fats of causing severe side-ef- is a consequence of survivfects, according to data pres- ing HIV, and that its effects rus conference in Chicago patients live longer.

was organised by European and US universities, found that "triple cocktails" of drugs without protesse

Defenders of protease inhibitors, beralded as a wonder drug when intro-

those containing them.

Triple therapy suppre The Atlantic study, which HIV, but does not appear to egy is to encourage the virus to replicate, in effect entice in suppressing viral load as ping" it with powerful drugs.

But he believed the real

impact of the genetic revolu-

tion on disease would be on

regenerative medicine - the

WORLD ECONOMIC FORUM

REGIONAL MARKETS WITH ASIA NO LONGER IN FASHION, EXECUTIVES EYE EURO-ZONE FOR INVESTMENT

Euro-phoria grips business leaders



By Tony Jackson in Davos

A year is a long time in business. At the World Economic Forum in Davos a leaders were rubbing their hands over the Asian crisis. and the chance of picking up assets on the cheap. This year, emerging markets have been virtually written off. said the euro would also The latest fad is Europe: more specifically, the euro-

utive of the German manusen. The euro, he said, would enable Europe to make up the ground lost to the US over the past 20 years.

ergers, plant closures and industrial concentration. "The euro will speed up this process in a way most people outside the business world politicians, trade unionists and the general public have yet to realise," he said, Gerard Mestrallet, chief executive of the French utility Suez-Lyonnaise des Eaux. have a profound effect on governments. "Different states will be forced to adopt The new note of euro-tri- competitive economic poli-

tives. At a private dinner in Davos on Saturday, the chief executive of a large US manufacturing company asked his guests whether, on a it was already causing five-year view, they would prefer to invest in Europe or without exception, they

chose Europe. All this seems rather at euro is still in practical terms almost non-existent, except in financial services. A director of a large European vehicle components maker at Davos confided. that, by late January, euro

fined to European execu- it had yet to receive any ing themselves against specsuro invoices at all.

from employers was on wages, Adair Turner, director general of the Confederation of British Industry, the UK employers' body, said: "It is on the trade union agenda to introduce pan-Eupean collective bargaining. If [wage] -harmonisation odds with the fact that the across regions runs ahead of productivity, you have a powerful engine for unem-

Meanwhile, if western business leaders were dismissive of emerging nations, those nations seemed to invoices received by his com- return the compliment. Delepany were still in single fig- gates had little to say on ures. He had mentioned this attracting investment, much to one of the big euro-zone more on how to limit capital

by Lee Kuan Yew, Singa-pore's elder statesman. "For small countries." he said "the cost of opting out is less money coming in, and less growth. But once they have done their cost-benefit analysis, that may be better than the risk of devastation."

The business response to that was predictable. Jon Corzine, co-charman of the UK investment bank, Goldman Sachs, said limited restraints on the inflows of capital should not be dismissed. "But no one will invest in a country," he added, "if they don't believe they will get their money

Newly isolated genes can fathom the human heart

It may not be too long before genechips, which can read people's genetic blueprints, become as common as microchips, and the revolution in the biotech industry spawns companies that have an impact similar to the one Microsoft has had in the computer industry.

Bill Haseltine, chief executive of Human Genome Sciences (HGS), is one of a new breed of scientists-turnedentrepreneur trying to capture the benefits of the biotech revolution.

He has formed seven biotech companies since he left Harvard and yesterday gave his thoughts on the next generation of genetic and medical technologi

ally all the human genes. "The goal of our industry is to be able to predict detect. prevent, treat and ultimately cure most diseases of man. In our lifetime we will see great progress," said Mr Has-

He cited cardiovascular virtually complete set of understand how they change and help the passage of the disease. This will allow the detection of changes that are occurring in the

detect a change, the earlier you can alter the course of disease favourably," said Dr Haseltine.

"We now have the ability

ability to repair parts of the body damaged by disease. injured by trauma and even worn by time. disease, the main cause of ered that the body uses to death worldwide. HGS has a build new blood vessels. If it is injected into heart muscle it can regrow blood vessels.

"It is happening in real patients today. We can grow new blood vessels in arms and less when needed." In the next three to five

years, he predicted that the "The earlier you can greatest impact of genetic research on cancer would be providing tests to identify individuals at risk when they are well. One of the big issues in cancer treatment is being able to detect the

Speak up about the good side of mergers, executives warned

Executives heading some of the world's biggest mega-mergers warned yesterday of the threat of a political backlash against the merger wave. It could only be averted, they said, if the public and politicians could be persuaded that mergers

Speaking at the World Economic Forum at Davos, Rolf-Ernst Breuer, spokesman of the board at Deutsche Bank, said the political climate towards mergers was worsening. "Politicians and the media are saying managers are buying and selling companies like used cars, he said. "I am afraid that

before too long, we will have to argue again for the social benefit of mergers."

Deutsche Bank is in the process of taking over Bankers Trust of the US in a deal worth \$10.1bn. The sensitivity of top exec-

utives to public opinion reflects their belief that the merger wave is set to conlosses in the short term. Further consolidation is expected in a number of industries worldwide, such as banking and cars. In Europe, there is additional pressure to restructure from the advent

of the euro. According to Rajat Gupta,

ers last year totalled \$2,3000bn compared with \$1,5000bn in 1998 and \$1,000bn in 1996. Mergers had also grown sharply in size, with the top 10 last year worth \$550bn, compared to \$200bn the year before.

Sir John Browne, chief executive of the oil group BP Amoco, formed in a \$30.3bn merger last month, said, "It can't all be severance and cost reduction. Something good has to come out of a merger. The question is whether we can get innovative ideas out of mergers and provide products which cus-

tomers prefer." No one liked big compaead of the consulting firm nies, he said: neither those McKinsey, worldwide merg- who worked in them, nor the

surveys showed that people believed large companies were more responsible than small ones. "I'm not sure that's true, but we had bet-ter make it true," he said. "Otherwise, one of the fundamentals [of mergers] will be corroded."

Daniel Vasella, president of the Swiss drug group Novartis, formed in an \$30bn merger three years ago, said, "Layoffs create fear, and consumer benefits are often taken for granted or not recognised. The difficulty is that politicians and the public often cannot see beyondthe stressful period of recon-

Sir John Browne: 'Someth

man of DaimlerChrysler nies could alleviate poverty.
"In a world where half the people don't have food or water, you can bring jobs to them," he said. "But only a profitable company can be a social company.

He formed HGS in 1992 to predict the occurrence of and it has been able to iso- future heart disease. It is not disease early enough to late in a useful form virtu- pie in the sky." Ageing baby boomers lead

drug groups a merry dance By William Hall .

the over 50s really want is a drug to put the light fantastic back in their dance rou-

Kenneth Dychtwald, chief executive of Age Wave, which specialises in the study of ageing, said yesterday an over-50s women's focus group researching what products might help them feel and function better found that what the women really wanted was a

would like to go out for a Never mind Viagra. What night of dancing," he said. the over 50s really want is a Mr Dychtwald, who helps

companies develop products to satisfy the appetites of ageing, wealthy baby-boom-ers, describes Viagra as a watershed. "The message was that people who are functioning at less than an optimum level want to return to that optimal level,"

said Mr Dychtwald. "Whether it is how youthful your skin looks, your ability to stay lean and trim, pill to make men dance or even how easily you move more. They could do with your bowels. The world is

out the dog in heat but they going to want thousands of products to bring about human enhancement," said Mr Dychtwald. He predicts a trillion-dollar enhancement" industry.

it would draw on five or six different areas of science that would provide therapies, ingredients and technologies to allow people to ward off the effects of age-

The notion of living a long time but falling apart more each day was a "nightmare of ageing" and people would spend large amounts of



صكنا من الاعل

cocktail

genes co

y dance

The US and European Union yesterday fired fresh warning shots at the World Trade Organisation in their dispute over beef hormones which both sides say threatens to dwarf their dispute over

US officials said the EU appeared to have no intention of lifting its 10-year-old ban on hormone-treated beef by May 13, the date set by the WTO for implementing its ruling against the ban. "Such a stance would fur-

ther undermine the credibility of the WTO system." Rita Hayes. US ambassador to the WTO, told a meeting of the WTO's dispute settlement

Washington last week requested WTO authorisation to impose more than \$500m in trade sanctions on EU goods because of the EU's alleged failure to comply with an adverse WTO ruling on its banana import regime. That request has been suspended pending arbitration.

The US has also threatened to retaliate if Brussels does not lift the beef ban which the US estimates is costing its cattle farmers However, in an indication that Washington may be prepared to be more conciliatory. US officials have urged the EU to discuss "WTO-consistent solutions" before the

May deadline expires. allows the ban to be maintained provided it can be justhat the hormones in ques- banana case.

tion pose a health risk for

EU officials told the dispute settlement body yesterday that Brussels had commissioned new scientific studies which, though they would not be complete by May, would allow the EU "to fully implement" its WTO anoits sildo

In a separate dispute, the dispute settlement body established a panel to examine a 1916 US anti-dumping law that the EU claims is being used to harass European steel companies. US officials said yesterday that the law was "moribund." However, US steel companies, hit by a surge in imports, have recently filed cases against European and Japanese importers. Japan also plans to bring a WTO

A panel was also set up at the request of the EU and Japan to investigate Canada's auto pact with the US which gives trade privileges to America's Big Three car manufacturers. Another panel will consider Canada's patent legislation which Brussels claims violates the WTO's rules on intellectual property protection.

A fourth panel request by \$250m a year in lost exports. the EU, this time concerning anti-subsidy duties imposed by the US on steel imports from the UK, was postponed until February 17. At that meeting the EU also plans to ask for a panel to rule on Section 301 of US trade law The EU says the ruling which Brussels claims is being used to threaten unilateral - and thus WTO-illetified by scientific evidence gal - sanctions in the

NEWS DIGEST

UK ENERGY MARKET

Britain complains over Polish coal subsidies

Britain has complained to the European Commission and Poland about subsidised Polish coal exports distorting the JK coal market. John Battle, UK energy minister, said yes-lerday that efforts to safeguard the British coal industry could be undermined by the imports. The UK claimed that Polish coal producers received state finance of about

2200m (\$330m) a year, which is not repeid.

British coal experts said this meant Polish imports were being sold at a fifth of the price of production. "This distortion needs to be removed quickly if it is not to do last-ing damage to UK producers," Mr Battle told a Coel

Industry Society meeting in London. "Over the last few weeks I have had strong complaints from UK producers that Polish coal is entering the UK market at prices below the cost of production in Poland," he said, Sethnem Sanghers, London

SEMICONDUCTOR MARKET

Growth of 15% forecast

After three years of declining or meagre revenue growth, the worldwide semiconductor market will grow by 15 per cent to \$154.5bn this year, according to Dataquest, part of the Gartner Group IT consultancy. The strong forecast comes amid mounting indications that the stump in memory chip prices, which has cast a shadow over the whole semiconductor industry in recent years, may finally be over. In addition, Dataquest analysts expect second half revenues to be bolstered by Year 2000 concerns which they expect to result in firm equipment orders.

"The third quarter of 1999 should bring good semiconductor growth - helped in part by "protective ordering" in advance of potential year 2000 problems - followed by a strong fourth quarter of 1999," said Jim Eastlake, director for Dataquest's Semiconductors Europe program. Paul Taylor, London

WIRELESS TELECOMMUNICATIONS

Mexican contract awarded

Nortel Networks, the Canadian communications networking company, yesterday announced a \$400m contract to build the world's largest fixed wireless telecommunications network for AXtel, one of Mexico's alternative carriers. Nortel said expected growth could eventually lift the value of the contract to \$750m. AXtel, formerly known as Telinor, expects the network would eventually serve 2m subscribers, making the system four times larger than any other currently operating fixed wireless network. AXtel is 51 per cent owned by Mexican investors and 27 per cent by Bell Canada Internetional. Nortel said it would supply its second generation fixed wireless technology, a high capacity system called Proximity II, providing subscribers with voice, fax, data, internet access and other services. AXtel's networks is expected to begin operations by the second quarter of 1999, Scott Morrison, Toronto

MEXICAN ANTI-DUMPING ACTION

US pork exports penalised

Mexico yesterday announced it would impose countervailing duties on imports from the US of live pigs to protect Mexican fermers from a cross-border influx of pork products at below market prices. An investigation by Mexican trade and industrial officials between October 1997 and Merch 1998 said a further increase in US exports at discourse level and a further increase in US exports at dumping-level prices posed a threat to Mexican pig farmers which could "cause a serious deterioration in national production.* Mexico is seeking to protect itself against an expected rise in US pork products due to large stockpiles in the US because of historic price lows. In November last year, park imports from the US amounted to \$9.8m, up from \$819,000 in the corresponding month of 1997.

Andres Mendel-Campbell, Mexico City

INTELLECTUAL PROPERTY BUSINESSES MAY BE LOSING \$1bn A YEAR THROUGH ILLEGAL COPYING

Software pirates boom on the internet

The internet has become the fastest growing area for software piracy and could be costing software developers up to \$1bn a year in lost revenues, according to Robert Holleyman, chief executive of the Washington-based Business Software Alliance.

The BSA, which represents most of the large business software developers including Microsoft, Symantec and Adobe, has begun monitoring the number of web sites offering, linked to

In some cases these web sites offer software for downloading, in other cases they provide key-numbers and passwords enabling illegal software users to bypass software security measures. In many cases the sites are also linked to pornography distribution.

Research by the alliance shows that the number of these sites in Europe jumped from about 39,000 at the end of April to 94,832 at the end of December. Worldwide, the almost 900,000 at year end.

easiest way for pirated software to be distributed and it and throughout the world." is a difficult form of distribu-

In its response to the European Union's green paper on lem. In 1995 the BSA conterfeit software CD-Roms combating counterfeiting received a tip-off that a large

tion to police."

backer name for pirated soft- more than quadrupled from and piracy in the EU, the collection of commercial a web site based in Denmark 200,100 at the end of April to alliance notes: "Internet computer programmes had last year. piracy is a cross-border prob-If just 1,000 sites handle lem unlike any that copy-1,000 downloads a year of right holders have faced software worth \$1,000 each before. Unauthorised copies the revenue lost would be can be made available by \$1bn. "The internet is a very internet users based in any monitoring, software worth important way of legally of the EU member states or \$1.7m was downloaded by distributing software and any other country, and internet users all over the virus updates," said Mr Holdownloaded by any of the world. The university shut leyman, "but it is also the more than 100m internet down the site and police users in other member states arrested two students.

> One case brought by the is used to advertise pirated BSA in recent years illustrates the scale of the prob-

been installed without permission on an internet server at the Swedish Royal

success in reducing the level years, particularly in developing countries, but also in many west European mar-

He said the BSA was adding resources to help combat the problem, but mainly had to rely upon internet service providers for co-operation in identifying and closing down pirate soft-

opens talks on resuming Cuba cover

After an absence of direct formal contacts lasting more than a decade: Britain's Export Credits Guarantee Department (ECGD) has reopened talks with Cuba's government about the possibility of resuming cover for British exports to the Caribbean island.

John Weiss and Ms Celia Adivihalli, two senior ECGD officials, have been in Cuba's total arrears to the

Havana to meet Carlos Lage, Cuba's vice-president, Francisco Soberon, central bank chief, and other government officials. The talks were described by British diplomats as "exploratory"

Resumption of ECGD cover for UK exporters operating in Cuba would be linked to some formula for repayment of short-term debt owed by Havana to the British export credit agency.

ECGD of £120m (\$200m) include some £17m (\$28m) of short-term debt.

The Havana talks resulted from a visit to Cuba last November by Brian Wilson. UK minister for trade. He expressed concern that British exporters were losing out to some of their European competitors because of the absence of official UK export credit cover for the island.

Britain's trade with Cuba has lagged significantly to the private-sector com-

behind that of other Euro-pean Union nations, such as Spain, France and Italy; British businessmen say the lack of ECGD cover is largely to

blame for this. Medium-term cover provided by the ECGD was withdrawn in 1983 when Cuba first rescheduled its foreign debt with the Paris Club group of creditors. The British agency's short-term operations were transferred

lands, in 1991. The revival of official contacts between Havana and

Institute of Technology.

Over a three-week period of

world. The university shut

In other cases the internet

software. For example, the

BSA said large volumes of

the ECGD comes amid increasing efforts by Cuba to seek solutions to the problem of its \$10bn foreign debt. Last year, Havana signed two bilateral debt rescheduling agreements, one with private companies in Japan and another with the Italian government. Cuban officials

pany. NCM of the Nether- logue with the Paris Club to study debt solutions. Diplomats said the British agency was already in the early stages of negotiating

possible support for an

investment project in the

island's electric power sec-

This would involve the supply of equipment by a British company. Underwriting the export of equipment was a potentially fruitful have also re-opened a dia- area of future business.

"When our first child was born, I couldn't wait to tell everyone. I called my parents. I sent faxes to my colleagues. And I sent e-mail to my brothers and sister. With the Nokia Communicator, I can always choose the means of communication that's easiest and most convenient for me. Keeping in touch with my colleagues, family and friends is important to me. That's why have the Communicator, so I can keep in touch by phone, fax, e-mail, Internet. There's even the File Transfer Protocol - so I can load pictures of my firstborn onto my homepage."

> Raif Höhne Systems Analyst





NOKIA CONNECTING PEOPLE

Real's slide

panic abates

halted as

won some temporary relief

rapid slide against the dol-

high inflation and financial

Priday was replaced by opti-

ernment would agree a

revised emergency financing

deal with the International

Monetary Fund over the

next few days.
Stanley Fischer, the IMF's

deputy managing director,

was due to arrive in Brasilia

last night to lead the negoti-

ations, which Brazilian offi-

cials believe will accelerate

the approval of a new agree-

By mid-afternoon the Real

was trading at R\$1.95 to the

dollar, after closing at k\$2.05

on Friday. The reduced ten-

sion in the currency market

prompted shares on the São

chaos, was halted.

Forecasts pave the way to fiscal bliss

For most governments around the world, the budget-making process is essenmost politically desirable trade-off among a number of competing objectives: cutting the debt, increasing spending, lowering taxes, addressing long-term fiscal

For President Bill Clinton, who presented his budget for 2000 and beyond to Congress and the nation yesterday. there is no such uncomfortable range of choices. He can, and is proposing to, do just about everything: retiring a significant proportion of the government's debt as state pension system, on a sound footing for another 30 years or more; cutting some taxes; and increasing public spending on a host of popu-

The reason the president is in this almost unprecedented position of fiscal bliss is simple: federal government surpluses that simply keep growing with every new economic forecast.

A year ago, when he presented the first US balanced budget for 30 years, Mr Clinton was able to forecast a cumulative, combined budget surplus of \$1,000bn over the next 10 years - a

House put the 10-year surplus estimate at more than \$2,400bn. The difference is not the result of budget mea sures proposed by the president, but reflects a combina tion of improved economic and fiscal conditions.

The fiscal plenitude least in his legislative proposals, which will be sub-stantially amended by Congress, to save social security. by allocating 62 per cent of the cumulative surplus to meeting the long-term liabilities of the state pension system. It will also allow him to increase spending on health, he puts social security, the education, defence and law enforcement and cut the odd

> But are these forecasts realistic? They seem based on perfectly sensible, perhaps even cautious, assumptions. Faster growth raises the surplus by increasing tax revenues and cutting spending on, for example, benefits. But you do not need to believe the US has shifted to a new paradigm of faster sustainable growth to

> believe in these projections. Though growth has averaged more than 3.5 per cent years, the White House expects it to fall quickly back below trend - at 2 per



over the rest of the forecast

The unemployment rate, currently at a 25-year low of 4.3 per cent, is expected to by 2002 and for the foreseeable future

Inflation hawks might find per annum for the last three the price assumptions a little optimistic, Inflation is expec ted to average 2 per cent for the foreseeable future - a cent for the next three years, factor that helps cut indexed

long-term rate of 2.4 per cent with most private-sector forecasts.

much changed from a year ago. One thing that has changed in a way that raises rise sharply, to 2.3 per cent the surplus, however, is interest rates. Long-term rates are forecast to be much lower - a whole percentage point lower this year - and three-tenths of 1 per cent lower in four years' time.

Part of that lower cost of borrowing represents the

of it stems from more favourable monetary conditions generally.

Even so, these assumptions do not seem wildly optimistic, and in any case they account for less than ing to the politically independent Congressional Budget Office, which examines US fiscal conditions.

The CBO, whose projec-

ably close to those of the White House, says the rest of the improvement comes from a number of technical

Total government revenues will reach almost 21 per cent of gross damestic product next year, the White House says, the highest figure since 1944.

Expenditures, at a little over 19 per cent next year, are forecast to be at their lowest level since 1974. Here the improvements are the result of lower costs in programmes such as Medicare and Medicald, the health

What are the risks that these assumptions will prove optimistic? First, economic growth could turn out much reaker. The White House forecasts are based on a "soft landing" for the economy from its rapid rates of growth recently. But if a deep recession occurred they rould have to change.

Second, spending could increase more rapidly if Congress lifted the discretionary spending caps imposed in a period of deficits. The forecasts assume some accelera-

Third, the revenue performance of recent years is still something of a mystery. Receipts have risen much faster than GDP growth for five years. If that trend went sharply into reverse, the fiscal picture would look a lot

government was forced on January 13 to abandon its crawling peg. which had been the centrepiece of the

Brazil's battered economy organisations. Brazil has 📆 drawn down around \$9bn o yesterday when the Real's the package, with a second lar, which has raised fears of the end of February. How ever. as a result of the devaluztion, the government is The panic selling that targets agreed with the IMF. including on the budget definism that the Brazilian gov-

aire investor, urged the IMF to release new funds for Brazil as soon as possible. "Rm. zil is in a very acute sutuation because on Friday you effectively had the beginning of a run on the banks," he said. "Interposing a wall of money would stabilise the

Speaking at the World he said the Brazilian curand investing in Brazil was much less risky than putting money into Russia. The case of Brazil is very differ. ent from Russia," he said.

Paulo stock exchange to The Brazilian governmen jump 4.6 per cent, while the continued to deny that it prices of Brazilian international bonds were also was planning any drastic The Real has now devalued 38 per cent since the ity that the government will undertake violence against people's savings," said Pedro Malan, finance minister. Rumours about a freezing of its anti-inflationary strategy, bank accounts prompted in November, the govern- some people to case their

Republicans' tax-cut Baby boomer health plan inspires Clinton costs highlighted

By Deborah McGregor In Washington

President Bill Clinton is hoping to steal some tax-cut thunder from Republicans with his proposal to subsidise new individual retirement accounts to supplement social security

It is an idea that Republicans have carefully avoided criticising ever since Mr Clinton first mentioned it in his State of the Union speech a few weeks ago. There is a good reason for their reticence: they invented the idea. and have several competing versions of it among their own tax-cut proposals.

In his budget yesterday Mr ected federal surpluses to the new accounts, dubbed accounts".

The accounts would create

separate from social secu- plans that many corpora- By Richard Wolffe rity, that would give people an additional source of income when they retired. The federal government would make an annual lump-sum contribution to the accounts, as well as matching workers' own con-

tributions. would be decided on a scale reflecting income, so those with lower incomes would get bigger subsidies.

the beauty of allowing him to blunt Republican claims plus to the people in the

form of tax cuts. While the plan is not technically a tax cut, his aides say it is one way of achieving the same result. And it is a way to entice people to save in a country with a hissavings torically low personal savings rate.

The new accounts would

tions offer their employees. Workers would be able to choose among several investment alternatives, including stock and bond funds.

Two Republicans who share Mr Clinton's enthusiasm for the idea, although they have been careful not The matching dollars to put it that way, are John Kasich, House budget committee chairman and expected presidential contender in 2006, and William Roth. From Mr Clinton's per- the chairman of the tax-writspective, the idea possesses ing Senate finance commit-

Mr Clinton's proposal is that he is opposed to return- not technically part of his ing any of the budget sur- overall plan for restoring the troubled social security programme, which calls for 62 per cent of projected federal surpluses over the next 15 years to go toward shoring up the fund. The new individual retire-

ment accounts would enable workers to build up retirement funds while lawmakers try to reach agreement on

the social security overhaul.

in Washington

While his focus remained fixed on boosting social security, President Bill Clinton yesterday highlighted the need to meet the rapidly rising medical costs of the ageing baby boomer generation. Medicare, the \$217bn

scheme for healthcare of the elderly and disabled, will be the second largest beneficiary of the government surplus after social security, approaching retirement, taking \$686bn over the next aged over 62 years. The bud final serve low income stu-

tional funding would maintain the programme, which is expected to run out of includes further plans to cash in 2008, for a further 12 guarantee retired people years. He said: "We can save over the age of 55 the right it for another decade if we to buy into company-sponuse one out of every six dol- sored health plans. lars of the surplus for the next 15 years to guarantee the soundness of Medicare. This budget makes a down payment on that goal." According to the detailed

ing Medicare will grow slowly until 2010, when it will "explode as the baby boom generation begins to reach age 65".

After 2010, the average annual growth in Medicare will double as the number of people enrolled reaches 61.3m, compared to 37.6m four years ago. The president also pro-

posed to improve access to health insurance for people care to allow 300,000 people

In other healthcare provisions, Mr Clinton proposes offering families a tax credit worth \$1,000 a year to help meet the cost of long-term budget statements, the num- abled relatives. About 2m

ber of elderly people claim- people would benefit from the new plan, costing the

The president also pro-

to take part in clinical trials for new cancer treatments. Elsewhere in the 2000 budget, the president highlighted education as a target for new funds, with the broad aim of raising school

Mr Clinton said state ernments would gain new to buy into the fund. It funds to belo them identify and turn around their worstperforming schools.

standards and providing

financial rewards to "the

highest-performing schools

Overall education spending will rise from \$28.6bn to \$31.8bn in 2000, including a second year of funding for teachers to US classrooms by 2005. Mr Clinton revived plans for a \$22bn package of healthcare for elderly or dis- school construction and

Debt servicing fears mount

By Arkady Ostrovsky and Edward Luce in London

Market concern is growing over Brazil's continuing ability to service its dollar-denominated and internal debt. ziven the weakness of the Real However, economists say parallels between Brazil and Russia - the only large emerging market to default on its domestic obligations are at best weak.

for almost a third of all emerging market foreign currency bonds, the country has managed to extend the average maturity of its linbilities to about seven years. This is in contrast to Mexico in: 1995 (less than one year) and Russia at the moment.

This year Brazil has to pay denominated debt. With foreign currency reserves of than manageable, analysts

say. In addition, Brazils total external (including cotporate) and public internal debt accounts for about @ per cent of gross domestic product, well below that d Italy and Belgium.

But the total cost of service ing Brazil's domestic and external debt is above 8 per cent of GDP and, given Brazil's growing interest rates. this cost is likely to go up. According to Richard Gray Although Brazil accounts of Bank of America, each percontage point rise if interest rates adds RE3bn (US\$1.5bn) a year to the cost of servicing the debt.

"The main concern is that high interest rates in Brazil [currently 39 per cent] make the domestic debt burden unsustainable," said Alicia New York, "With the Real investor confidence.

Boost for defence spending

By Stephen Fidler in Washington

The administration yesterday announced detailed plans for boosting defence spending until 2005 - but some critics said the rises emed designed to disarm Republican critics rather than deal with the challenges likely to confront the US in the next century.

"I am proposing a longterm sustained increase in defence spending to enhance the military's ability to respond to crises, build for the future through weapons modernisation programmes and take care of military personnel and their families by enhancing the quality of life, thereby increasing retention and recruitment." the president said in his budget message to Congress.

William Cohen, defence secretary, said the proposed increases would meet the most pressing requirements of senior military leaders. He said the budget was meant to address "warning signs of potential problems. Recruiting and retention for personcult, readiness harder to pected changes in pro-maintain, and weapons mod- gramme procurement. John ernisation tougher to fund

The budget includes \$63bn for pprocuring new weapons in fiscal 2000, and is projected to reach \$62bn in 2001, surpassing the \$50bn goal set by the administration. The procurement budget

was expected to rise to craft. \$69.2bn in 2004 and \$75.1bn How

acs, president of Council for a Livable World, a nonprofit group favouring lower military spending, said the budget included provisions to buy 30 more Lockheed-Martin F-16 combat aircraft in the next four years, and more Boeing C-17 airlift air-

'warning signs of potential problems'

However, big programmes Budget is meant to address

of \$212ba.

in 2006, according to figures released yesterday. For 2000, the \$12.6bn proposed spending rise includes just \$4.1bn of new money. the rest being accounted for by cost savings and other the six years to 2005, however, \$84bn of the proposed \$113bn increase would be new money. The requested budget authority grows from \$262.6bn this year, to \$267.2bn in 2000 and \$318.9bn

remain mostly unchanged with, for example, more than both on the F/A-18 E/F Super Hornet tactical fighter, for which Boeing is the prime contractor, and the F-22 advanced tactical fighter for idgetary adjustments. Over the air force. Meanwhile, spending would continue on the new joint strike fighter, with a total programme cost

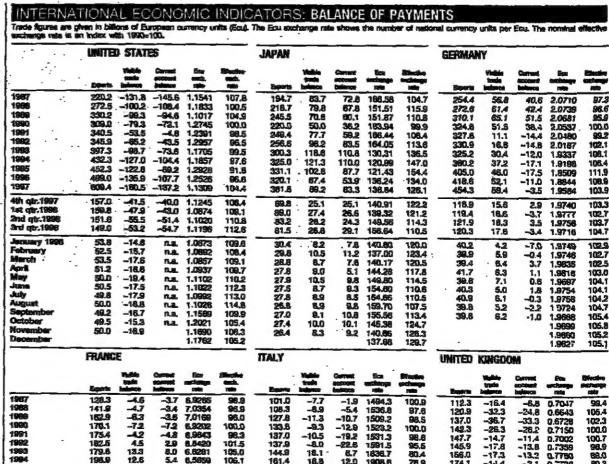
There were few unex-

that this is a way of neutral ising the Republicans in the would be spent on buying there would be no likely He said Mr Cohen had raised expectations when he

went to the Defence Department in 1997 that he would embark on a campaign to start a revolution in defence business affairs, but little evidence of it had emerged. Susan Hansen, a spokes

woman for the Pentagon, said the budget had recognised emerging threats such as chemical and biological weapons. Mr Cohen bad also previously increased proposed spending on ballistic missile defence. "We also have to realise that the Defence Department has an overwhelming advantage against any potential adversary. We like that and we want to keep that."

Republican critics of the ministration have argued that the military was being "hollowed out" by successiv real cuts in defence spend-



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1967	128.3	-4.6	-3.7	6.9265	98.9	101.0	-7.7	-1.9	1494,3	100.9	112.3	-16.4	-6.8	0.7047	99
1988	141.9	-4.7	-34	7.0354	96.8	108.3	-8.9	-5.4	1536.8	97.6	120.9	-32,3	-24.8	0.6643	105
1986	162.9	-6.3	~3.5	7,0168	196.0	127.8	-11.3	-10.7	1509.2	98.5	137.0	-36.7	-33.3	0.6728	102
1990	170.1	-7.2	-7.2	5.9202	100,0	133.8	-9.3	-12.8	1523.2	100.0	142.3	-26.3	-26.2	0.7150	100
1991	175.4	-42	~4.8	6,9643	98.3	137.0	-10.5	-19.2	1531.3	98.6	147.7	-14.7	-11.4	0.7002	100
1992	182.5	4.5	2.9	6.5420	101.5	137.9	-8.0	-22.6	1591.5	95.5	145.9	-17.8	-13.B	0.7359	96
1993	179.6	13.3	8.0	6.6281	105.0	144.9	18.1		1836.7	80.4	156.0	-17.3	-13,2	0.7780	88
1994	198.9	12.6	5.4	6,5650	106.1	161.4	18.8	12.0	1908.6	76.9	174.1	-14.4	-2.1	0 7738	89
1995	219.7	10.4	8.4	6.4460	109.2	181.0	21.6	20.7	2106,4	69.3	186.9	-14.7	-4.5	0.8190	84
1996	230.2	13.8	16.4	6.4068	109.1	201,3	35.0	32.8	1932.1	75.7	208.0	-15.8	-2.3	0.8026	88
1997	255.8	27.1	35.1	6,5925	105.6	209,2	27.2	32.5	1924.0	76.3	248.4	-18.8	6.5	0 6906	100
4th qtr.1997	67.3	7.0	10.2	6,6134	105.6	55,6	6.5	8,4	1934.6	78.1	63.5	-5.9	6.0	0.6772	103
1st qtr.1998 2nd etr.1998	67.5	6.2	7.8	6.6273	105.0	52.4	3.2	2.4	1948.6	75.3	61.9	-6.8	-21	0.6608	105
3rd otr.1996	. 68.0	6.0	- 83-		105.7	56,9	6.8	8.9	1948.7	75,7	61.7	-8.4	-2.0	0.6665	105
	68.2	7.0		8.8105	108.5	52.2	8.8		1945,8	78.3	60.1	-7.7	3,4	0,6774	104
January 1998	22,5	23	2.6	8.6137	105.2	14.4	0.0	-21	1943.7	75.4	20.5	-1.4	n.a.	0.6648	104
February	22.6	20		6.6189	105.0	17.6	0.0	1.4	1948.7	75.2	20.5	-3.0	n a	0.6838	104
March April	22.4	1.9	1.5		104.8	20.4	2.2	3.0	1953.3	75.2	21.1	-24	n.o.	0.8532	106
May	22.6 22.6	2.1 1.9	- 3.4	6.6428	105.1	18.8	1.5	0.6	1957,6	75.2	20.8	-2.0	n.a.	0 6536	107.
June	22.8	2.1	3.4	6.6051 6.6235	108.1	18.7	2.8	2.7	1942.5	26.0	20.0	-2 B	0.0.	0.6783	103
July .	22.3	1.9	1.7	8.6243	105.9	19,8	2.6	2.6	1946.2	78.0	20.8	-2.3	n.a.	0.6783	105
August.	22.A	2.0	- 20	6.6123	106.0	21.6	5.4	-1.4	1948.1	76.0	20.5	-2.2	n.o.	0.6668	105
September	22.0	3.2	2.0	6,5349	107,1	12.8	2.7		1946,0	76.2	20.3	-1.9	n.a.	0.6757	104.
October	-	34		6.5949	107.6	17.8	0.7		1843.2	78.6	19,3	-3.6	n.a.	0.6877	103.
Hovembar				6.5923	107.1				1948.8	78.8	18.8	-2.3	n.a.	0.7091	100.
December				6,5819	107.1				1946.6	78.4	18.9	-3.1	r.g.	0.7034	100.
				4,4019	107.1				1943.5	78.4				0.7041	100.

of the Single Market. EC countries we currently changing to a new system of compiling trade statesics. All trade figures are se he German current account, imports can be derived by subsecting the habble hade balance from exports. Export and import dat

ewinsky testifies on Clinton

By Mark Suzma in Washington

White House lawyers yesterday questioned Monica Lewinsky under oath for several hours at a Washington hotel to establish whether she had any new information about her affair with President Bill Clinton that could affect his

Ed Bryant, a Tennessee

opened the videotaped questioning as he sought to clarify several points relating to the charges that Mr Clinton committed perjury and obstructed justice in covering up the affair.

He was due to be followed by Nicole Seligman, one of yers. A senator from each party was present through-

Ms Lewinsky is the first of All of the witnesses have

deposed, before the Senate decides whether any live testimony is needed in the trial or whether it should move on to closing arguments and a final vote on the charges next week. Vernon Jordan, a Washington lawyer and close friend of the president's, will be questioned today and Sidney Blumenthal, a top White House aida will follow tomorrow.

Patrick Cropin, research

director of the US Institute

three witnesses to be

amid a growing uproar over sidering trying to indict Mr Clinton even if the Senate acquits him. The White House reacted angrily to the revelation and said it would file a formal complaint in federal court about continued press leaks from Mr

already provided extensive

Real's slide halted as panic abates

panic abat

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CONFLICTS OF INTEREST ADVICE PROMPTED BY COURT DECISION IN DISPUTE BETWEEN BRUNEI PRINCE AND KPMG

Firms are urged to review their 'Chinese walls'

By Jim Kelly in London

Lawvers are advising review how they build and maintain "Chinese walls" following a landmark judgment on managing conflicts of interest from the House of Lords, the unelected upper house of parliament, acting institutions may wish to as the highest appeal court. ers erected to prevent leaks

the case of Prince Jefri of rant, which represented Brunei versus KPMG has Prince Jefri. also prompted suggestions that sector-wide codes of best practice should be developed for "Chinese walls" to protect those using them against court action.

"Banks and other financial review their policies with "Chinese walls" are barri- regard to conflicts and 'Chinese walls' as a consequence

yers at Lovell White Dur- of information barriers in all non-litigious practice areas."

Lawyers are also suggesting that the judgment - in which KPMG was prevented from acting for the Brunei authorities against Prince Jefri, their former client has far-reaching specific consequences for lawyers and accountants. "The logic of tional steps they can now the decision suggests that take with a view to avoiding there could be a need for challenge to the 'Chinese

practice areas - such as corporate finance, tax, audit or consultancy," said Barlow Lvde & Gilbert.

While the firm said it was unlikely the courts would enforce the full impact of the judgment, it added: "Professionals would do well to consider whether there are addiwalls' they routinely erect in

The 16-page law lords' judgment is still being studied by lawyers - particularly at the Big Five accountancy firms - and there is agree ment that while its technica

nese walls". "Accountancy firms and their clients need to take the question of conflicts of interests and inadvertent leakage

impact may be restricted it

has raised much wider con-

cerns over the use of "Chi-

Rhodes, the accountants,

said in a newsletter. tious, there is genuine confusion in several professions about the impact of the judgment - including actuaries and corporate financiers.

"I wonder what clients

of confidential information ing across open-plan offices more seriously," Robson and with groups of people who mix on a daily basis." While there will be suspi-cions lawyers are being cau-Lovells, said that, on balance, the law lords' judgment appeared to be

restricted to the very unusual circumstances of the KPMG case in which the law lords doubted that its would think if they realised ad hoc "Chinese Walls" that so-called "Chinese could be shown to be leak-

IRA sniper faces 37 terrorism charges

Alleged

Republican Army border sniper went on trial for murder in Northern Ireland yesterday, with the prosecution taking more than half an hour to read out the charges. Bernard Michael McGinn, 41, from Castleblancy in

county Monaghan in the Irish Republic, is accused of murdering Lance Bombardier Stephen Restorick, a British soldier shot dead at a security checkpoint in Northern Ireland in 1997. He was the last British soldier in the region to be killed by terrorists.

Mr McGinn is charged with 37 separate terrorist offences, including the murder of two other soldiers some years earlier. John Creaney, the prosecuting law-yer, told the court how Mr McGinn and three other men, all from Northern Ireland, were arrested after a 16-strong British army unit swooped on a remote farm

near the Irish border. All four put up a "considerable struggle" as soldiers tried to put them into forensic body covers before being taken for questioning, the court heard. A fifth man was accused of providing the hayshed used in the alleged conspiracy. The five denyall

The soldiers found: a Mazda car containing an elaborate mobile firing platform. A cavity had been ceated in the back of the carln which a gunman could crouch and fire. Inside wee found a high velocity Barrit sniper rifle, an AK 47 assaut rifle and ammunition.

Mr McGinn smiled an laughed at one point as the prosecution read out the charges, which included explosives offences and membership of the IRA. Mr Creaney said such evidence clearly showed that the men were intent on using the

Thatcher's heirs seek youth and new radicalism

William Hague's push to create a compassionate Conservative party has backfired and he still needs new ideas. Deborah Hargreaves reports

any politicians have compassionate Conservative tried to define what it is to be British. For John Major, the former Conservative prime minister, it was warm beer and cricket on the village green. For prime minister, it is "Cool Britannia" with its fashion designers and rock musi-

William Hague, Mr Major's successor as Conservative old Mr Hague's sole experi- of ideas. leader and the party's youngest leader this century, last month painted his picture of Britain as "multiethnic, brassy, self-confident and international". In a swept from power in 1997 by fight the next national elecspeech to a rightwing think- a landslide Labour victory tank, Mr Hague sought to after 18 years in power. The portray the Conservatives as party was left with just 165 a modern party of the future. House of Commons seats has been widely lampooned. Traditional Conservative taking the party too far to His effort to capture the pub-voters deserted the party in the right. Some senior Conlic's imagination for a more crowds and Mr Hague has servatives are already party leadership in 1935. The recruitment.

party - echoing George W. Bush, the favourite to win the US Republican presidential nomination - backfired. It is the latest miscalculation by the inexperienced Mr Hague, whose efforts to

relaunch the party after its disastrous election defeat have met with little success. A fervent Conservative since his schooldays, the 38-yearence of cabinet office has been as chief minister for Wales in the Major govern-The Conservatives were

But Mr Hague's definition compared with Labour's 418.

ing to lure them back.

week showed that support was still falling - just 24 per cent of people said they would vote Conservative, the lowest rating in 18 months. Labour's approval rating rose two points to 56 per cent - its highest since late

admitted recently that the party that spawned the Thatcher revolution and exported the privatisation of public utilities had run out Almost half way through

the current parliament, Mr Hague has given little indication of the platform on which the party hopes to tion. He is now backing the creation of a new think-tank to generate radical policy

But he must be wary of

spent the past 18 months try- unhappy about Mr Hague's comment was also aimed at uncompromising stance on But an opinion poll last the euro - ruling out UK membership for the life of the next parliament.

Two of the party's European parliament members left last month to form a breakaway pro-European party. One of them said in a letter to Mr Hague that opposition to British membership Hague's advisers of the single currency was not in the national interest. Adding to his woes, Mr pute with members of his

shadow cabinet.

urged Mr Hague last week to fire shadow ministers who had been members of the Major government because voters associate them with failure. Every time they go Mr Blair. on television, they are costing us votes," one Conservative said of John Redwood, industry spokesman. Mr Redwood is an arch Eurosceptic who unsuccessfully

was forced to issue reassurances that he was not planning a cull. The Conservative party appears to have a peculiar propensity for undermining its leader.

Several recent occasions ment to task over policy errors have been dominated Hague is embroiled in a dis- by arguments within his

His efforts to reform the A senior party member House of Lords were undermined when he discovered that Lord Cranborne, leader of the Conservative members in the House of Lords, had already done a deal with

Mr Hague, a member of the party since he was a teenager, desperately needs to attract younger members. But he has to take control of his colleagues before directchallenged Mr Major for the ing his energies towards



Allegations of sleeze returned to haunt the Conservatives at the and with the sudden admission by Tom Spencer, a member of the European perliament, that Customa officers at Heathrow sixpor had found him in possession of camabis and homosexual raphy. Mr Spencer's wife Liz is standing by him, but he will not run for his English district again

Scots nationalists set out tough rules for landowners

An administration led by the

ers' responsibilities and on," Roseanna Cunningham, powers of encouragement. The SNP would also create

Scottish National party land councils in rural areas would require estate owners on which community and in Scotland to make legally landowners would sit. "Comenforceable contracts with munity contracts and locallocal residents, the party ity land councils will ensure announced yesterday. The communities have a tighter bad landowners while the buyer. In extreme cases the ment and govern the use an Landowners Federation, said a disincentive contracts would state own-hold over the land they live Labour party would only use government would be able to estate made of public funds. the SNP's proposals would ment," he said.

the party's land spokesperson, said yestarday.

community groups the right Her comments came in to buy estates that come up evidence to the Scottish for sale at a price set by a Grand Committee of all Scot-tish MPs. She said her party valuer – even if this was less would legislate to control than that offered by another consultation over develop-

compulsorily purchase badly Labour proposes giving run properties. It would normaily rely on landowners obeying a voluntary code of conduct. The SNP's community contracts would reguvaluer - even if this was less late public access, public

Donald Dewar, chief minis- drive down land prices, jeopter for Scotland in the UK ardise employment and government, said the SNP's threaten the already fragile proposals would produce "a rural economy. "Locality massive bureaucracy of no land councils appear to offer real value to anybody at all". the awful prospect of com-Andrew Dingwall-Fordyce, promising the work of good convener of the Scottish land managers and acting as Landowners Federation, said a disincentive to invest-

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THROUGHPUT AT HEATHROW COURT IS WARNED OF US-STYLE SCRAMBLE AND BREACHES OF EUROPEAN UNION LAW

Slot trades by airlines are challenged

By John Mason, Law Courts Correspondent

The trade between airlines in take-off and landing slots at London's Heathrow airport breaches European Union law and could lead to a US-style free-for-all in which big carriers will dominate the market, the High Court in London was told

lawyers acting for the ation industry. EU law was Guernsey Transport Board. explicitly intended to ensure which is mounting the first an orderly distribution of legal challenge to the common, but legally disputed, practice of airlines selling slots to each other.

The High Court proceed- industry, he said. ings, which could lead to a

the European Court, are being closely watched by the aviation industry. The practice of selling slots is of vital commercial importance to the industry but its legality has yet to be established.

Michael Beloff, a lawyer for the Guernsey board, said the practice of airlines buying and selling slots to each other breached EU law The claim was made by intended to regulate the avislots and avoid a free-market solution that would lead to the most powerful players dominating the aviation Fracas 'was old-fashioned Irish sing-song and not air rage'

Twelve airline passengers ejected from a London-Jamaica flight diverted to the US said yesterday that what cabin staff interpreted as a fight was an "old fashioned Irish sing-song" disrupted by another passenger hurling a drink. The 12 were left at

over the sale of slots between British Airways and KLM'UK, the British subsidiary of the Dutch airline. KLM UK stopped flying between Heathrow and Guernsey last March and The dispute has arisen sold its eight daily slots to use for these slots, returned such as a genuine exchange

other man, who threw the Norfolk, Virginia, after the drink, was allowed to carry on on the flight." Airtours pilot diverted the Airtours flight. Miles Connor, from south London, one of the said it planned to act against the 12 under air 12. said: "No punches were navigation law and they thrown, just a few words were exchanged - but they might have to meet the cost threw all 12 of us off, there of the diversion. They would were no blows, nothing. The also have to pay to return to biggest injustice is that the London.

largest of the Channel Islands between England and France. in return, BA gave KLM eight slots at less convenient times. KLM. which had no slots in limited situations.

BA. Guernsey is the second them to the "pool" for use by other airlines. It was not disputed that KLM UK was paid by BA for the slots. Mr Beloff said EU law allowed airlines to transfer

volved However, the law did not allow for trading in slots which the seller had no prospect of using. European transport commissioner Neil Kinnock had made plain last year at a Financial Times aviation conference that slots could not be bought and sold, Mr Beloff said.

Mr Beloff said Airport Coordination, the company that allocated Heathrow

slots, had acted wrongly over the transfer of slots from KLM UK to BA. It had been wrong to say that it was not its business what happened to the slots after they had been issued. The hearing is expected to end tomorrow.

Blair steps into storm over England soccer manager

Tony Blair, the prime minister, yesterday stepped into the storm over Glenn Hoddle, the England soccer team's manager, Jimmy Burns writes. Mr Hoddle was under fire for reportedly telling The Times newspaper: "You and I have been physically given two hands and two legs and a

half-decent brain . . . some people have not been born like that for a reason. The karma is working from another lifetime." Mr Blair called the comments "very offensive" and suggested he might have to resign. Mr Hoddle's fate could be sealed today at his meeting with senior officials of the

Football Association. The Nationwide building society, English soccer's biggest sponsor, disassociated itself from Mr Hoddle's reported remarks, "Glenn Hoddle . . . has a responsibility to ensure that his personal views shouldn't

be confused with those of

the England team, the

Football Association or its sponsors," it said yesterday. Nationwide insisted last night that its new £15m (\$24.5m) sponsorship deal with the FA was not in eopardy. The first match of Nationwide's sponsorship package is set for February 10 when England play world champions France.

Hoddle's agent, said his client had "denied categorically that he ever sald anything about disabled people being punished". He edded that Mr Hoddle Intended to issue a writ for libel against The Times. Mr Hoddle yesterday refused to



Glarm Hoddler refused to resion

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NEWS DIGEST

GOVERNMENT FINANCES

Pay straitjacket loosened for public sector workers

The government yesterday loosened its straitjacket on public sector pay by awarding a 4.1 per cent average rise to 1.25m doctors, nurses, teachers, members of the armed forces and public officials. It said the salary recommendations of five independent pay review bodies would be implemented in full, without staging, for the first time in five years. But trade unions were expecting a more attractive settlement, following leaks of the most generous award - a 12 per cent increase in pay for newly qualified

nurses.

Ministers found themselves in the embarrassing position of defending themselves against the apparently contradictory charges of being parsimonious and taking undue risks with inflation and the public finances.

The prime minister's spokesman said the Bank of England, the UK central bank, was unlikely to take a dim view of the pay award since it had written in its summer inflation report that "an inflation target of 2.5 per cent is consistent with average annual nominal earnings growth of 4.5 per cent". Robert Peston, London

THE ECONOMY

Manufacturers recover slightly

The latest UK purchasing managers index yesterday revealed a slight recovery in output and new orders. But both remained well below the 50 "break even" level, implying activity is shrinking. Manufacturers also upped the pace of redundancies and sold off stocks, according to the index, while there was little sign of inflation as materials prices continued to fall. The data come as the monetary policy committee of the Bank of England, the UK central bank, prepares to meet for its latest decision on interest rates on Thursday. Most City analysts a cut from the current level of 6 per cent. In the UK, the index of prices paid fell to its lowest level in the survey's seven-year history. The Chartered Institute of Purchasing and Supply said the fall was caused by greater discounting by suppliers, domestically and overseas, with prices being driven lower by weaker global demand and an excess supply of many goods. Richard Adams, London

PUBLIC-PRIVATE PROJECTS

Ministers to issue guidance

The government is determined to drive forward the private finance initiative, but only as part of a wider partnership between the public sector and private capital, Alan Milburn, a senior Treesury minister, is to say today. The PFI was inherited from the previous government and aims to bring private funding to public projects. Mr Milburn will announce that the standard model clauses for PFI con-tracts should be published by the end of this month and that the government will produce its final guidance on the treatment of risk in PFI contracts by the end of March.

The risk guidance is almed at settling the Treasury's dispute with the Accounting Standards Board over which projects should go on the government balance sheet and which should do not. Mr Milburn believes that once the model clauses and guidance are published, procurement of PFI projects should be more swift and the bidding costs S lower. He is the first cabinet minister to have direct responsibility for PFI deels. Nicholas Timmins and Simon Buckby, London

12 died from CJD in 1998

Twelve people died in the UK last year from the new variant of Creutzfeidt-Jakob disease linked to BSE, the Department of Health said yesterday. The death toll was 10 in 1997, 10 in 1996 and three in 1995. Scientists say it is still too early to predict even roughly how many people will succumb to disease as a result of eating contaminated beef in the 1980s because of the uncertainties about the transmission of BSE to humans. But specialists at St Mary's Hospital in London say at least five living patients have symptoms of the fatal brain disease. A new diagnostic test on their tonsils has shown clear signs of infectious nvGJD "prions". Clive Cookson, London

MOTORCYCLES

Grey market boosts sales

Plunging prices, thanks to chesp "grey" imports, and dis-satisfaction with other commuting methods are driving the UK motorcycle market towards its best year since the early 1980s. The 150,000 sales for this year predicted by Kevin Kelly, director of the Motorcycle Retailers Association, represent a leap of one-quarter over 1998 and well over triple the sales of five years ago. Total sales increasedby by more than 31 per cent, year-on-year, in the first 20 days of January. Scooters have re-emerged as fashionable transport to an extent not seen since the 1970s. A new generation of stylish machines from European producers, led by Peugeot of France, are displacing Japanese makers from their traditional leadership. John Griffiths,

Procter fights back in soap war

Procter & Gamble of the US is raising the stakes in the long soap war with the Anglo-Dutch conglomerate Unilever by launching its own version of the solid detergent tablets that have proved so successful for its arch-rival. The US group plans to launch Ariel Discs in Europe in April after a year's trial in two towns in

northern England. Lever Brothers, Unilever's detergent subsidiary, has seized 8.5 per cent of the UK market with Persil Tablets since launching the new product last May. One in six households has tried Tablets, which are added to the wash in a nylon mesh bag designed to ensure they fully

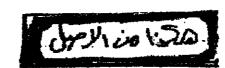
The success has restored brand leadership for Persil. lost to Procter's Ariel after the 1994 Persil Power fiasco. Then Lever Brothers had to

withdraw a new formulation after its patented "accelerator" incredient was found to weaken fabrics and leave

Similar success has followed in other European countries, and last month Procter reported a fall in its detergent volumes in Europe - blaming "continued contpetitive pressures in laundry and cleaning, primarily related to laundry tablet laitiatives".

Now it is ready to launch its counter-attack with Discs, which are placed in the detergent drawer of an automatic washing machine. like conventional soap powders, rather than being added directly to the wash in the drum. The group said it had overtaken Unilever in automatic washing machine powders, concentrated powders and liquids - even though these had all been pioneered by Unilever.

"We hope history will repeat itself," it said.



NEWS III. e public sector worken

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MANAGEMENT EUROPEANS IN CHINA

Little Italy comes to China town

Truck-maker Iveco found it had to train Chinese workers to speak Italian and adopt European practices, says James Harding

per favore," Camillo
Donati calls from the comfortable leather sofa in his office overlooking Naniing, China.

His secretary, Ms Wu, promptly brings in two small cups. Amid the rich aroma of Italian espresso, she passes on a couple of telephone messages in flawless Italian, then leaves her boss to talk about the importance of cultural cross-fertilisation for foreign businesses in

Mr Donati is the chief representative in China of Iveco, the truck-making subsidiary of Fiat and the largest Italian investor in the country. He has lived in the Jinling Hotel in Nanjing for the past 11 years and is the engineer of what is arguably the most ambitious training and cultural exchange programme undertaken by any European business in the

Dispensing espresso is therefore more than just the eccentricity of an Italian ahroad. It is part of a pattern of Sino-Italian exchange that he considers essential to the success of Iveco in China.

We have tried to give the Chinese the possibility to understand our industrial culture and the opportunity to live our social life," sava Mr Donati. Iveco selected nearly 400 Chinese engineers and workers, trained them

We tried to eliminate the differences in style - how we live and how we speak." Iveco, which is now the

best-known name in light commercial vehicles in China, was one of the first to in the late 1970s. Mr Donati 1983 to start discussions on a contract to license Iveco

technology. I said 'No'," he recalls. "We will give you know-how." In 1986 Mr Donati arranged for 32 Italians to come to Nanting to teach 870 local mechanics and other

technical expertise in how the trucks and vans were assembled, as well as a sense of the corporate and national

international automotive groups, such a substantial language programme was a ity. "At that time we had a problem in how to communicate." explains Mr Donati. "The Chinese didn't speak English and, in fact, the Italians too didn't speak such good English either." There were loftier reasons

Critically there was \$7m training of Chinese people available to fund the exchange programme, as and export loans to help the

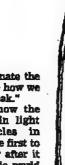
come to the country after it opened to the outside world came for the first time in The Chinese wanted the

staff basic Italian. Then they were all transferred to Iveco's various factories in Italy to gain on-site

For Iveco, more than most

for doing more than merely handing over the technical specifications on paper. "If you wanted to plant a tree in China, then you had to create the ground for it that we had in Italy," he explains.

(£4.2m) in Italian government aid for the technical well as \$200m in soft loans Chinese acquire the Iveco



technology and establish Iveco's China development. their own truck factory.

programme stands in contrast to standard practice at many other foreign manufacturing ventures in China. Often, oversess management pays lip service to the impor tance of training, language teaching and cultural exchange. As a result, Mr Donati suggests, Sino-foreign joint venture partners spend years bickering, jostling for power and misunderstanding such others' busintions.

Indeed Iveco's approach in China even stands out in comparison with the emerience of another arm of Fist. namely the Plaggio joint venture making mopeds in Guanedone.

Recently Piaggio has slimmed down its expatriate presence, but it did not make the early commitment to training and exchange that

Instead, Piaggio for a long time had 15 expensive expets on site at a 450-person plant in Guangdong, roughly double the number of Italians

operation in Nanjing. The fostering of a "little Italy"; or at least a little Ital-

tunity was available to Iveco - and even Flat - much earmid-1980s. It took four years from the start of discussions on Naveco, the Iveco joint venture in Nanting, before it now at Iveco's 3,000-person started production in 1996 evidence, according to some analysts, of lveco's tendency

IVECO Nanjing.

'We have tried to give the Chinese the possibility to understand our industriai culture

Nanting has been the foundation. Mr Donati says, for Iveco's expansion in the 1990s. In 1992, the Chinese approached the Italian company again to discuss a full-scale manufacturing

Some industry observers has been the hallmark of suggest that such an oppor-

ian husiness culture, in to take longer than others to seize chances in China. Mr Donati, however, was happy to have secured a 50-50 joint venture at

a time when most other foreign joint venture part-

INFORMATION TECHNOLOGY VIRTUAL REALITY

For those foreign investors who may feel that is a long wait, Mr Donati plainly has little patience, "Nobody can do business here with a short-term strategy. You have to have a long-term strategy." How long? "Thirty years," he says

the joint venture, which is

intended to produce 60,000

light commercial vehicles

and 75,000 engines a year.

On an operating basis, the

plant made a profit in 1997 of

\$25m and analysts expect it

could achieve nearly double

that for 1998. But in terms of

Iveco's total investment, the

project is expected to begin

show a return only after

Foreign investors also have to be prepared to adapt themselves, as well as train their Chinese partners. "Look at the Vatican...It has adapted the liturgy to

says Mr Donati, noting that Roman Catholics attend Mass with an organ playing in Rome, while in some African churches drums accompany the service.

an international company? It is a mental issue: to adapt your know-how to the local conditions," he says."

Mr Donati is bappy to be een as pro-China. Iveco is developing special vans and light trucks for the police and the People's Liberation Army. He is "proud" that the Chinese army crossed the border to Hong Kong in 1997 in Iveco vehicles.

Iveco is now looking at a number of new projects. The company plans a fresh 50-50 joint venture in China with investment of up to L300bn (£107m) to build buses. The joint venture factory in Changshou is intended to full capacity. The top management and departmental ture will undertake another training programme in Italy. Iveco has also been consid

ering another \$10m investment in Nanjing to expand engine production to make 30,000 units a year to export to Brazil. But following the devaluation of the Bruzilian Real Mr Donati says Iveco must reconsider. "We have to see. Maybe it will not be a problem. But it is a new

factor.

Even while Ivecs is looking to expand in China, the number of Italians employed in Nanjing is shrinking. At the main plant there are 3,000 workers, "We expatriated only a very few people. There are only eight," he says, acknowledging that the financial con troiler comes from Iveco. "But day-by-day that will produce 8,000 buses a year at decrease. We are developing



TIM JACKSON

Cash is the key to a true portal

Goto.com has found a way to make searching both easy and profitable in itself

The word "portal", as used in the internet business to describe companies such as Yahoo!. Lycos and Excite. has become a misnomer. It is normally applied to search engines that have turned themselves into catch all services, offering everything from free e-mail to online auctions. Yet there is a paradox in the broadening of their services.

For a portal is something you go through, and these companies are doing everything they can to delay your departure from their

Goto.com, based in Los Angeles, claims by contrast to be the "only true portal". Jeffrey Brewer, chief executive, says his web site offers a single, simple where you type in keywords and get back a list of web

While other portals offer search as a free service but make money from advertising or other activities, his company has found a way to make searching itself profitable. Here is how it works.

engines, computer scientists devote considerable effort to ranking the web pages listed in order of relevance. They fight constantly with web site owners who try to seed their web pages with words and phrases that will fool the search engines into

is simple. To appear at the top of a search listing, all a company has to do is pay. Web sites can bid, ranging unwards from 1 cent. for each visit to their site that comes from a response to a specific Goto.com search. The company offering the highest price will be listed first, and so on. If the visitor doesn't click, nobody pays anything, if no advertisers have bought listings, the sites will be shown in order of relevance using technology provided by

Instant. This may sound unfriendly to users. But Goto.com's founder, Bill Gross of the incubation company IdeaLab!, realised correctly that in many cases the company that is willing to pay most to reach someone earching for a particular word or phrase is likely to be precisely the company offering them what they are looking for.

How does this work in practice? If you search at incomposite com for the word 'software", the first site listed will be WebAuction, which pays Goto.com 59 cents each time you click on its link. The highest offer on "books" is 38 cents; "vacations" 36 cents; "porn" 28 cents; "mutual funds" 25 cents; and "pensions" five cents. Mr Brewer says some

ompanies are willing to pay \$2.83 for each visit resulting from such searches. This can be an attractive business. A typical search engine would be unlikely to generate more than \$200 per 1,000 page views by selling advertisements targeted by

search words.



many Goto.com pages, 20 per cent of visitors click the first link listed, 9 per cent the second, and 5 per cent the third. If the "click through rate" is very high, the yield may be as much as \$2 for each page view; meaning \$2,000 CPM (cost per thousand impressions).

The service started in June, raising \$6m from venture capitalists including Draper Fisher and IdeaLabl's financing affiliate. It recently closed a round of financing in which investors paid \$20m for 28 per cent of the business. According to the latest figures, it is the 24th busiest site on the Web, and generates 100m page views a month. That is impressive in only half a

Mr Brewer expects the company to be profitable within 18 months, and has two new weapons. One is an affiliates programme, by which the company has signed up 6,000 partners displaying buttons pointing to its site. Each visit earns a partner 2 cents. Another initiative is to offer "co-branded" search Mr Brewer reports that on functions. Theglobe.com, a

munity site in the US, uses Goto.com as a search engine and revenue from the clicks is shared between the wo companies

The beauty of the system is that because of the way that links work in Goto.com's search service. the search can be executed entirely from the site of this or any other partner without interfering in Goto.com's ability to account for clicks and collect revenue.

There is only one appar flaw. Many sites offer advertisers the ability to target users in particular countries; Goto.com does merchant that serves only the US may not wish to pay for visitors from Africa. Mr Brewer says Goto.com

will implement a national-specific targeting service at some point. The only problem is that it is hard to see how to do this while maintaining the openness of revealing to the visitor the price that has been paid per click. But this remains an exciting business, and a clever idea well-executed.

on the internet. Geoff Nairn explains the industry's difficulties acquired by Platinum Tech-

reality seems a technology tailor-made for the fantasy world of the internet. For many pioneers of web-hased VR, however, commercial opportunities have proved illusory. With the growth in popularity of the internet, the VR industry saw a chance to expand beyond its niches in arcade games and product

development and tap a vast new consumer market. "Growing VR penetration on the desktop, in large part driven by the internet, could create a huge user base for VR," predicted Ovum, the

UK consultancy, in 1996. Morgan Stanley, the investment bank, predicted there would be 150m interactive web users by 2000 and the industry rushed to turn web sites into interactive 3D worlds. Intel's Mediadon web site shows several examples of the technology including a virtual visit to Venice, a football simulation and a virtual art gallery.

But the market has failed to live up to early expectations. Most web sites see VR as too exotic and offering little benefit over mainstream multimedia technolo-

The big names of the internet industry have provided lukewarm support. Microsoft and Sun Microsystems are working on 3D web technolo gies but the projects have yet to deliver commercial

The biggest setback came this year when Silicon Graphics, the large US computer manufacturer, announced it would abandon web-based VR. The company was a leader in this field and helped unite previously frag-mented initiatives around a single standard, called Virtual Reality Modelling Lan-guage (VRML).

But Silicon Graphics decided VR software was no inger a core activity and tried to sell its VR division. called Cosmo Software, to Sony, another VR ploneer. This deal fell through and Software

nology, a big US software

Commercial opportunities have proved elusive for pioneers of VR

So near and yet so far

The sale caused many VR enthusiasts to fear the worst as Platinum was not a familiar name in the close-knit 3D graphics community. Andrew Filipowski, chief executive of Platinum, insists he is committed to VR but will steer it in a different direction. "Platinum wants to take VR out of entertainment and into the business market," he says.

The company plans to use the VR technology it has acquired to develop 3D interfaces for a range of business applications - visualising complex relationships between data in databases, for example. "The battleground of the future will be the user interface," says Mr Filipowski.

Computer Associates, a rival to Platinum, is also working in this area and between them they have acquired five VR software houses in recent years. They see more promise in applying VR to this new market of 'business visualisation" than in creating virtual worlds on the internet.

So, does VR still have a future in cyberspace? John Chiplin, chief executive of the small UK-based software not bother downloading the house Superscape VR,

the technology has been tremendously over-hyped," he says. Superscape pioneered VR developments on the internet and half the company's revenues - £4.2m (\$6.9m) (€6.07m) in the 1998 fiscal year - now come from

web-based products. Today, 500 web sites use Superscape's proprietary Viscape technology. A typical application is the VR

'VR is still happening on the web but the

technology has been over-hyped'

game on the web site promoting I Still Know What You Did Last Summer, a new film from Sony's Columbia Tri-Star division. The game requires users to first download the Viscape "plug-in" -a small program that runs inside the browser - and this has been a big stumbling block in the development of web-based VR.

Unless there is a compelling reason, most people do plug-ins or more sophisti-

the proliferation of proprietary standards, requiring users to download several players or plug-ins. VRML was meant to end this confusion but the first VRML products were not as compatible as the industry

Another problem has been

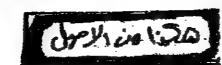
"The early days of VR on the web were tough because VRML was not working and people did not want proprietary standards." savs Mr Chiplin. "The market has now matured and people are increasingly writing applications to use VRML.

Superscape once championed its own technology as superior to VRML. But it has become a late convert.

The latest browsers have VRML compatibility built in and Platinum, which acquired the two leading VRML player technologies, promises to combine them in single universal player that will be made freely available early next year. The slow speed of the internet remains a problem as it limits the amount of detail that can be transmitted, causing users to complain that web-based virtual

worlds are not realistic. Perhaps the biggest challenge affecting web-based VR lies not so much in technical shortcomings as in its flawed conception. The industry has still to demonstrate it has any significant commercial application.

believes so. "VR is still **学学会主义学**图 **GSI CompuServe** VISCAPE



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Trading places: Philip Docker (centre) in full cry during his days in the London futures pits

TECHNOLOGY STOCK TRADING

Shouting software aims to be the pits

the trades.

Peter John reports on the development of an 'in-your-face' system designed to help options traders move to screen-based markets

of shares in Vodafone, the UK mobile phone operator, has nothing to do with merger talks or a global rise in able prices within specified telecommunications shares, according to Philip Docker.

It is all down to one anonymous derivatives dealer whose recorded cry of "Vowdafown" in a demotic London accent rings out from two speakers every time the options contract is traded onscreen. The cyber call is so popular with traders at Liffe, the London futures exchange, that they tinker with the stock option contract just to hear it, says Mr

Such voice alerts are the most striking feature of a unique options trading system developed by EasyScreen, a company created less than a year ago by Mr Docker and Paul Varcoe, his part-

Between them, they have spent more than 30 years in the market, many in the traditional striped-jacket world of London futures pits. They now have their sights on Chicago.

They have developed a frontend system that competes with eight rivals, including systems from heavyweights such as Reu-

ence of computer games, the sys-

ters and ICV Datastream. In a nod to the growing influbutton - known in the trade as a delta grabber. With two clicks the trader can grab all the availparameters and can then execute

Dealers can also use any index as a trigger to buy or sell exposure in the options market. For example, if the Dow Jones Indusprogram can kick in.

Before I went into this my only computer experience was playing football management games. I didn't even have an -mail address," says Mr Docker. While a lot of people out there are probably not as old as me, they may not be PC literate, so [thought we could develop a system with me as a target user."

EasyScreen claims to be the conduit for 60 per cent of stock options volume, a small part of the overall activity at Liffe but the first phase of the exchange's shift to full electronic trading.

The real money, however, is in futures contracts, particularly in the US. The Chicago Mercantile Exchange has just opted to trade its Eurodollar contract electronically. The contract is one of the biggest in the world, with 109m lots traded last year.

The company already has a

futures model ready and has set

can make the most of the busi-

The software input for the options trading system came Varcoe. Mr Docker had spotted the former Salomon equity trader standing in the trading pits with a laptop, and discovered he had written his own risk-management program. The duo built on that to create the new system and then persuaded Dealing Object Technology, a London software company, to develop it in exchange for a 25 per cent stake in the company.

Mr Varcoe's wife Paula recorded most of the voice alerts, but the company is starting to offer customised models. One dealer has Wagner's Ride of the Vallegries belting out every time an order is filled

"We have tried to recreate the pit environment," says Mr Docker. "It's an in-your-face system. You can hear the action going on." Traders who are gradually moving over from the faintly medieval world of pit trading appreciate the "comfort blanthem in mind.

One experienced ex-floor dealer says: "They understand the needs of the traders and they have taken on the big boys and held their own. But they need the money to develop it. It is okay when you have two or three guys writing the system but when you need 10 the money goes out of



Shumeida and Ratclif in the driving seats at Agco

John Stermede, one of the original members of the buy-out seum ant Agoo, the US farm equipment manufacturer, will be the company's new chief

secutive and president. Bob Rutcilf, who took on the chief executive officer role when Jean-Paul Richard resigned after just nine months in the job two recutive chairman. At the time of Richard's abrupt departure, there was speculation that the two men had cleshed over the degree of control that should be given to the chief executive, although Agoo itself did not

Shumejda, 54, has already been serving as chief operating officer for 12 months. He has a degree in automotive engineering from Western Michigan University and previously worked for Uniroyal and, between 1970 and 1983, the former International Harvester Company, Agon is the smallest of the major US farm equipment suppliers with annual sales of \$3.2bn in 1997, but has a algorificant presence in Europe. It is best known for brand names Massey Ferguson, Heeston and Villed Talt, Chicago

Whyte named Weir chief

Duncen Whyle has been named chief executive of the Welt Group, the Scottish-based of the world's leading pump manufacturers. Whyte, an executive director of Souttieh

Power, will take office on June 1. He will succeed Sir Ron Sarrick who becomes chairman on February 1 following the retirement of Lord Weir. Sir Ron the end of the year before going ROTI-expectative.

Scottish Power said that ollowing the departure of Whyta who is 51, it is making Charles Berry and Alen Richardson executive directors. Richardson, 52, is to be chief executive of

agreed bid for the US utility, which it made last month, has finance. Along with other obtained its regulatory approvals. He is currently managing director reducing its international of power systems. Berry, who is 46, is responsible for electricity supply and will now become executive director for finance assets.

customer sales and service, eponeible for the energy supply and retail businesse Scottish Power said Murray Stawart, the 65-year-old tay in office until the Pacificorp deal is completed, instead of .

retiring at the 1999 annual meeting in July, as previously Whyte joined the then South of Scotland Electricity Board in 988 as finance director and book Scottish Power to flotation in 1991. He is currently executive director for multi-utility activities, supervising Scottish Power's

gas, water and blecommunications, as well as being chairman of Manweb, which Scottish Power bought in

capacity to supply electricity,

Until he leaves for Weir Group he will concentrate on the regulatory reviews that affect

Hosier leaves Sanwa for BCI

lames Buxton, Edinburgh

lan Hosier is to become head of aerospace finance at Banca Commerciale Italians. His move is part of BCI's acquisition of about \$900m in European aerospace finance business from Serwa Benk, of whose London



branch Hosier is deputy general manager and head of structured Japanese banks, Sanwa is exposure, it will retain about \$200m of European aerospace Clay Harris, London

Streamlining at Den norske

Den norske Bank, Norway's largest, is to streamline its organisation to five from seven units and enlarge its management team to improve its competitive position.

The restructuring, the first under Svein Aaser's four-month tenure as chief executive, comes at a time of consolidation in the Nordic financial sector and as Norway's government prepares to reduce its 52 per cent shareholding in the company this ear to as low as a third.

Under the new organisation the group will marge its marketing livisions for retail and corporate customers, while creating new business areas for savings and inancial services, as well as large business and shipping

The restructuring means the company will not be replacing John Giverholt, the chief financial officer who resigned earlier this month. Tom Grondahl, leader of group staff, will take over his responsibilities. Valeria Sköld, Oslo

Potter to form investment group

Michael Potter, one of the founders of Esprit Telecom, the last-growing European telecommunications company acculred last month by GTS of the US, is leaving to establish a high-technology venture capital

and vice-chairman until the end of February, helped found Esprit in 1991 realising there would be rich rewards for operators agile enough to take advantage of the scon-to-be-liberalised European elecoms markets.

Esprit was set up in the UK where liberalisation preceded the rest of Europe by several years. The company now has sales offices and points of presence in

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more than 30 European cities and is building a 9,000km (5,600 mile) fibre optic network using the most advanced networking and transmission technologies. Potter, mild mannered by nature, is nevertheless well known for trenchant attacks on the behaviour of incumbent operators whom he accused of bending and breaking competition rules to delay and disadvantage newcomers. Achieving a level playing field in Europe has been one of his principal ambitions. He now intends to form an nvestment group, Paradigm Ventures, to focus on European high-technology projects.

Moving places

Alan Cane, London

 Brazil's finance ministry has appointed economist Andree Sandro Calabi president of Banco do Brasil, replacing Paulo Cesar Ximenes. Hitachi vice-president Etsuniko Shoyama stepa up to replace Tautomu Kanal as president in April, Kanal with become company chairman. The Vienna Stock Exchange has appointed Erich Oberate as its joint chairman. Oberateiner. 33, was previously responsible for Ruffelson ZentraBenk's investment banking operations in its branches and subsidiaries, He succeeds Christian Imo. François Blanchère has been appointed chief executive of DMB&B Paris. Blanchère, 39 joins from Euro RSCG/GBHR where he was chief executiv Rolf Stomberg has been appointed non-executive chairman of UniPoly, the polymer menuticular formed from the management buy-out of the ... British Industrial conglomerate BTR in 1997. Stomberg was a main board director of BP and the chief executive of BP Oil. international until he retired at the end of 1997 after 27 years with BP. He is chairman or non-executive director of a number of companies in Europe. Gérard Delaforge has been promoted to the executive committee of Credit Agricole indosusz, the French bank.

People on the Move is edited by Lisa Wood. Fax 00 44 171 873 3926.

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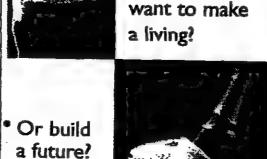
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EAST RIDING OF YORKSHIRE COUNCIL Private Finance Initiative - Grouped Schools Project

The East Riding of Yorkshire Council is proposing to undertake an extensive refurbalkment and extension of six schools in Bridlington under the Private Finance Iniciative. The Council is seeking expressions of interest to design, build, finance and operate including maintenance and facilities management for a grouped schools project in Bridlington. The project also includes a new build that use library it is presently arrive and the contraction of the contraction o in hamington. The project and includes a new name onat use beauty. It is presently anticipated that the construction phase will be completed within a period ending in December 2001.

This project has been notified to the Official Journal of the European Community and has received outline approval to proceed so PFI procurement from HM Treasury and the Department for Education and Foreignment. ation and Employme

The Council reserves the right not to award the contract and to The Council reserves the right not to award the council and to award other similar and related services to the successful commence. All parties withing to express an interest should submit a written request to the East Riding of Yorkshire Council for the attention of: Mr N Peanon, Solicinot, Director of Law & Administration, East Riding of Yorkshire Council, Councy Hall, Beverley, East Riding of Yorkshire, HU17 9BA, fax (01482) B84793, by 5pm on 19 February 1999. All parties expressing an interest will then be sent a pre-qualification questionnaire and preliminary information memo, the questionnaire to be retained by 5pm on 5 March 1999.

TENDER

West Midlands Pension Fund Corporate Governance -Voting Service

Tenders are invited for provision of the above service for an initial 4 year period commencing 1.4.1999. Closing date for receipt of tenders 26.2.1999.

Further details and requests to tender from: Director of Finance, Civic Centre. St Peter s Square, Wolverhampton WV1 1RL Tel: 01902 554500

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NOTICE No. 007127 of 1990 IN THE HIGH COURT OF JUSTICE

COMPANIES COURT IN THE MATTER OF COSWORTE RACING LIMITED

CHANCERY DIVISION

IN THE MATTER OF

THE COMPANIES ACT SHE HOTIKOT IS HERRIEN' COVER dom me Comof the High Court of Justice (Chantery Division) dated 20th January 1999 confirming the reduction of the cacini of the above named Company from £56,803,000 to \$40,203,000 and the Milana approved by the Court showing with respect to the capital of the Company as altered the several studen required by the above-minutestal Act were registered by the Registrar of Competits on 26th Innuary 1999.

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PRINCIPAL BURGETON

Saint, husband and public enemy

William Packer is delighted by a collection showing Charles I, who was executed 350 years ago, as all these and more

On January 30, 350 years but nonetheless far-reaching and, of course, Van Dyck. To ago, at about two in the afternoon, Charles Stuart, king of England and Scotland, met his death on the warrant of Cromwell and his parliament before a silent crowd in Whitehall. Wearing several shirts against shiver. ing in the cold, he stepped through a window of the Banqueting House, on to the black-draped scaffold outside. Having spoken briefly to his people, and scornful of the ropes and pulleys provided against his possible resistance, "mildly praying to himself, he stooped down to the Block, as to a Prayer Desk, and most humbly bowed his generous Neck to God, to be cut off by the Vizarded Executioner, which was suddenly done at one

parliamentary reform, these see Van Dyck's definitive triunhappy precedents might give us pause. The head that fell that

frosty afternoon remains one of the most familiar icons in British history and art, with its long hair and pointed beard and quiet, melancholy gaze - from before the age of photography, only Henry VIII and Elizabeth I can have been as immediately recognisable. The point of the exhibition now at the Queen's Gallery, which marks this notable anniversary, is to examine quite how it was that King Charles's image came to be so fixed, even in his own time, in the general con-

It falls naturally into two Blow. Thus fell King parts. First, there is early

The head that fell that frosty afternoon remains one of the most familiar icons in British history. Only Henry VIII and Elizabeth I could have been as immediately recognisable

Charles," says the Black calebrity as Prince of Wales, Memorial broadsheet, published soon after, "and thus

all Britain with him." Even the parliamentarians were awed by what had been done. "He nothing common did or mean/Upon that memorable scene" wrote the poet Marvell: "This was the memassured the forced power." The Cromwellian project, after all, was hardly a success, ending as it did in the dictatorship of the lord protector, free of Commons as well us Lords, in a moment now of not quite so violent such as Mytens and Dobson,

the young king and his dynastic but happy marriage to Henrietta Maria of France, and the conventional glorification of the royal house through the 1630s and the period of his personal rule. Then comes the Civil War propaganda, orable hour/Which first the confinement of the king, moving to trial and execution and the emergence of the cult of the martyr king.

The material is drawn entirely from the royal collections, centred on the work of the principal court artists,

ple study of the royal head (two profiles and full-face) ~ sent to Rome as a reference for Bernini, from which he carved the marble bust that was subsequently destroyed in a Whitehall fire of 1698 alongside a putative copy of that lost original is to enjoy R frisson of comparison that is quite new, for these things have never before been shown together, Across the room are

another two unfamiliar but important busts, one a plaster by an unknown artist, which, though loose in the modelling of the shoulders, has a direct and highly personal quality. The other, the finest of the three, was made in London in the 1630s by the French sculptor, le Sueur, a regally hieratic image which, in its less refined but effective public version, sits amid the traffic of Trafalgar Square.

But it is the context in which the works are placed that gives the exhibition its savour, a context supplied by a rich trove of documentary material, popular prints, books, medals, broadsheets and polemical tracts. The prints especially are of a remarkable quality, as though fresh off the pre Here are a rare pair of the then prince and his prospective bride; here the devoted king with his queen, Henrietta Maria, after the Van Dyck double portrait; the king on horseback, again after Van Dyck; and again, but with the head of Cromwell substituted for that of the king.

The exhibition works at several levels; as a study of printmaking in the early 17th century; as social docu-



role of the broadsheet, the spread of political opposition; and an analysis of the cult of the martyr, the most subversive ploy of all.

But ultimately it is the sense of the man himself, as a man of his pomp and his predicament, that commands the most direct terms, this show, whether as king, human observation but withhusband, public enemy, or out flattery of a sad and sainted victim. The familiar troubled man: and Edward

Van Dyck image holds centre-stage, but perhaps two others, less well known, set this truer tone. They are .ter star defiantly on his arm, both of the 1640s, the times of his troubles: William Dobson, peinter at court in its wartime exile at Oxford. shows the king as he was in

The King's Head - Charles L King and Martyr: The Queen's Gallery, Buckingham Palace, the most direct terms. London SW1. until May 3: arranged and supported by The

Bower shows the king sitster, in his tall hat, his Garnow remote and calm in resignation to his fate.

CONCERT HAITINK/LPO

Fine Mahler that drew in the crowds

Yet again, last month, the Royal Festival Hall was sold out for a Mahler performance by a fine conductor and a crack orchestra: respectively the Ninth Symphony (and only that, without any preliminary filler). Bernard Haitink and the London Philharmonic. It's a good long while since I saw so long a queue, of all ages well, from about 18 up -

and dress-styles, pleading for tickets at the windows. On box-office criteria, current audiences seem to agree with the conductor Ben Zander that Mahler was an even greater symphonist than Beethoven. Though they really aren't comparable: Beethoven could scarcely have imagined the virtuoso modern ovchesmag from whom the conductor-

composer Mahler demanded. so much, and it would be vacuous to speculate whether a "Mahler" born earlier could have achieved more than Beethoven, with his non-virtuoso bands and his narrower, "classical" harmonic valette. What is certain, however,

is that live symphonic Mahler now generally out-sells Beethoven - even the "Choral" symphony, famons soloists. And Haitink's scrupulous account of the Mahler Ninth certainly gave satisfaction this time: finely prepared, beautifully executed.

It was a pretty selfless account, unlike some fumous others. There was little of Leonard Bernstein's

wicked mischief in the Ländler movement, for example, nor any gross violence in the Rondo-Burleske (taken brilliantly fast); and I have never heard a steadier tempo maintained in the great Adagio - no molto espressivo swoops or dips. Haitink probably believes that the notes should speak for themselves, as they did. From where I sat, halfway

Mahler generally out-sells Beethoven - even the "Chora!" symphony

back in stalls left, there was a balance problem: probably just a trick of the acoustics. but vexing. Whenever the excellent trombones or borns, or even a solo born, played without mutes, the violins were just swallowed up. The falling second that haunts the score, especially in the first movement became a lethal threat to the thematic labric.

Newcomers to the symphony, if they were sitting near me, must often have lost the thread. Since Haitink is a master of orchestral balance, an acoustic gremlin must be blamed. A pity; but it was still an admirable

David Murray

Self-serving struggle of the men from the ministry

NICHOLAS POWELL

The eight-year-long Algerian war of independence remains an eminently painful and unhealed trauma in modern French history, rarely if ever documented on television and virtually taboo in the cinema and theatre. But it did inspire Jean Genet's Les paravents, which was published in 1961 just before Algerian indepen dence and first performed five years later.

Michel Vinaver's excellent Les huissiers ("The ushers"), on the other hand, written in 1957 during the early stages of the war, is less brutal in its action and vocabulary and far more incisively critical of France's political elite. But it frightened off every

It was not performed until 1980, in Lyons, and is only now having its first Paris run, until February 28, at the Theatre de la Colline,

and avant-garde writing. Staged by the theatre's director, Alain Françon, Les

kuissiers has been partly rewritten. Vinaver has pared down the political speechmaking and restored the real names of political parties he originally concealed behind pseudonyms.

The play has spotlighted both Vinaver, aged 72, who was little known outside theatrical circles, and his

The Algerian war of independence is virtually taboo in French cinema and theatre

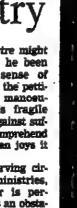
unusual double career: far from being a bohemian outsider like Genet, the playwright was, for 30 years, a senior executive with Gillette under his real name, Michal Grinberg. Les huitssiers is the sort of

CHICAGO

have written had he been blessed with a sense of humour. It pitches the pettiness of political manoeuvring in France's fragile Fourth Republic against suffering it cannot comprehend and ordinary human joys it prefers to impre.

Amid the self-serving circles of Parisian ministries, the Algerian war is perceived primarily as an obstacle to career advancement.

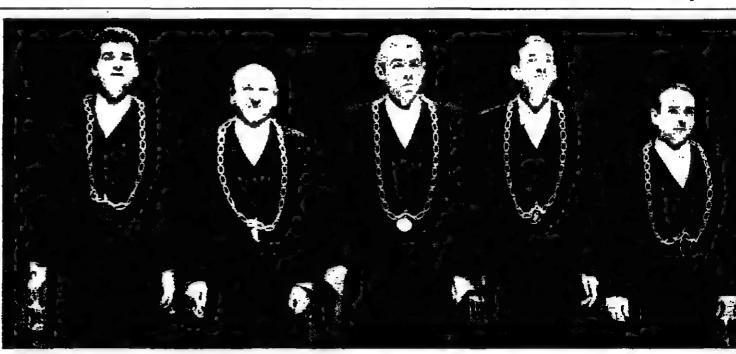
The suffering is embodied



The five ushers of the title

the tail-coated, chain of office-bearing civil servants, omnipresent in French ministries - form a chorus, commenting on their masters' political scheming and their own day-to-day concerns, from births to pension chemes and holidays.

Genet actually put fighting between Algerians and Legionaires on the stage. Here, the conflict is far away. Its horror is evoked simply, and all the more powerfully, by reports of a massacre that the French army has allowed to take



in chains: the five ushers form a chorus to comment on their masters' scheming

in the distraught widow of a who are lobbying for action French officer, who comes for help to his childhood friend, Paidoux, the minister of defence. He, by way of talk, and propose an inappropriate ich.

Vinaver throws everything into even grimmer relief by describing the government's parallel struggie to appease Simène, is even made to the nation's hairdressers,

against the latest mode for short hair among women. All soris of solutions.

including pressuring fashion comfort, can only offer magazines to promote elaboheartless political smooth rate feminine hair decoration - comprising everything from model boats to birds - are envisaged and worked over. The minister's secretary, Mademoiselle

A young disgraced radical socialist député, meanwhile, finally secures both his and Paidoux's political salvation by suggesting the launch of a lotion, prettily described as an "ondulation masculine". concocted to add a pleasing wave to men's hair. The government is at last safe.

Vinaver says that work with Gillette kept him enjoyably in contact with day-to-day reality. His Writ-

ing, meanwhile, remained close to the bons. His failure to stage a second controversial political play, *Iphigénie Hôtel*, written in 1958 about General De Gaulle's return to power that year, put him off writing for 10 years.

Then Par-dessus bord of 1969, concerning a family firm of lavatory paper manumultinational, helped abbreLaurencine Loi

With his latest work, King, commissioned by Françon, due to open next month, he has put his former career to even better use, dramatising the extraordinary story of the razor company's utopian founder, King C. Gillette.

viate his career with Gil-

'Les huissiers', until February facturers bought out by a 28; and 'King', March 11-April 25. Théâtre de la Colline, Paris

INTERNATIONAL

Guide

AMSTERDAM

OPERA Netherlands Opera, Het Maziakthante

Tel: 31-20-551 8911 Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast includes Carmen Oprisanu and Martin Thompson; Feb 3, 6

BERLIN CONCERT Konzerthaus Tel: 49-30-203090 Deutsche Oper Orchestra: conducted by Jiff Kout in works by Brahms and Bartók, with pizno soloist Gerhard Oppitz; Feb 3

Deutsche Oper Tel: 49-30-94384-01 Faust: by Gounod. Conducted by Sebastian Lang-Lessing in a staging by John Dew; Feb 4 Manon: by Messenst. Conducted by Sebastian

Lang-Lessing in a staging by Cesare Lievi; Feb 2, 5

OPERA Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna

and Angela Gheorgiu; Feb 5

DALLAS OPERA 1 Dallas Opera Tel: 1-214-443 1000 www.dailasopera.org La Bohème: by Puccini. Conducted by Antonello Allemandi in a staging by Mark Lamos, with sats by Michael Yeargan; Feb 3, 6

FORT WORTH EXHIBITION

Kimbell Art Museum Tel: 1-817-3328451 www.kimbellart.org Matisse and Picasso: A Gentle Rivairy, More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

GLASGOW OPERA Theaten Royal Tet: 44-141-332 9000

Scottish Opera: Der Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 6

HOUSTON THEATRE Houston Grand Opera, Wortham Center Tel: 1-713-227 2787 moo.ogd.www A Little Night Music: by Sondheim, Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade. Thomas Allen and Sheri Greenzwald; Feb 3. 6

LONDON CONCERTS Barbiçan Hali Tel: 44-171-638 8891 London Symphony Orchestra: conducted by Colin Davis in works by Elgar, Bartók and Beethoven, with violin soloist Sarah Chang; Feb 3, 4 London Symphony Orchestra: conducted by Colin Davis in works by Beethoven and Elgar, with piano soloist Richard Goode; Feb 7

Royal Festival Hali Tel: 44-171-960 4242 London Fhilharmonic Orchestra: conducted by Kent Nagano in works by Bartok and Berlioz, with viola soloist Yuri Basinnet: Feb 3 Royal Concertgebouw Orchestra: conducted by

Riccardo Chailly in works by Brahms and Schoenberg, with violin soloist Vadim Repin;

EXHIBITIONS Barbican Art Gallery Tel: 44-171-638 889 Africa by Africa: A Photographic View. Spanning the breadth of photography produced in Africa since the 1920s. Includes works by Mama Casset, Seydou Keita and Samuel Fosso; to Mar 28 Picasso and Photography:
 The Dark Mirror. Exhibition exploring the influence of photography upon both the figurative and Cubist strands of Picasso's work, and including photographs by Picasso; to Mar 28

MONTREAL EXHIBITION Montreal Museum of Fine Arts Tel: 1-514-285 1600 www.mbam@cam.org Monet at Giverny: 22 paintings, produced during the last 20 years of the artist's life, loaned by the Musée Marmottan in

MUNICH CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Fabio Luisi in works by Wagner and Liszt: Feb 2. 3

in works by Bach and

Philharmonie Folkwang Essen:

Paris; to May 9

Beethoven, with violin soloists Nigel Kennedy and Peter Daniel; Feb 5 Symphonieorchester des Bayerischen Rundfunks:

conducted by Lorin Maazel in

with piano soloist Murray

Perahia: Feb 4

works by Mozart and Bruckner,

EXHIBITION Haus der Kunst Tel: 49-89-211270 The Night exploring the development of the noctume, or night time scene, in western art from the 15th to the 20th century. Includes early examples by artists including Cranach, baroque works by Caravaggio and his followers, works by the German romantics, Goya, Munch Ernst and Magritte; to Feb 7

OPERA Bayerische Staetsoper Tel: 49-89-2185 1920 www.staatstheater.bayem.de Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich, Cast includes Adrianne Pieczonka and Waltraud Meier, Feb 3

NEW YORK EXHIBITION

Museum of Modern Art Tel: 1-212-708 9480 www.moma.org Jackson Pollock: first US retrospective of the Abstract Expressionist since that held at MOMA in 1967. Includes more than 100 paintings and 50 works on paper, to Feb 2, then transferring to London

Metropolitan Opera, Lincoln Tel: 1-212-362 6000

www.metopera.org Moses and Aron: by Schoenberg. Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown, Cast includes Philip Langridge and John Tomlinson:

CONCERTS Salle Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Frans Brüggen in works by Beethoven, Hummel and Schubert, with piano soloist Marie-Joséphe Jude; Feb 3, 4

PARIS

EXHIBITION

Grand Palais Tel: 33-1-4413 1730 Un ami de Cézanne et de Van Gogh: le docteur Gachet (1828-1909). Exhibition devoted to the doctor and painter who was a friend to Cézanne, Pisarro, Monet and Renoir as well as to Van Gogh, who famously spent the last weeks of his life with Gachet at Auvers-sur-Oise; to Apr 26, then transferring to New

Display of 41 works produced

between 1624 and 1628. The

ROME EXHIBITION Palazzo delle Esposizioni Tel: 39-06-474 5903 Poussin: Early Years in Rome.

centreplece is 'The sacking of the temple in Jerusalem by Titus'

(1925/6); to Mar 1 **ZURICH**

EXHIBITION Kunwthaus Zurich Tel: 41-1-251 6765 Chagall, Kandinsky, Malevich and the Russian Avant-garde: exhibition exploring the artistic upheavals of the first two decades of this century. Includes important loans from the State Hermitage Museum in St. Petersburg and pictures from provincial Russian museums; to

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT: 06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today Update

Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.



PETER MARTIN

Age of the network

I had heard it so many times before, but I finally saw the light on the road to Davos

I finally get it. The moment of understanding came in a conversation at Davos with David House, president of Nortel Networks. At the end of the discussion, l understood what the coming age of pervasive networks will mean.

Imagine a world in which all rich-country adults - and most of the kids too - are permanently connected to

The appliances they carry telephones, pagers, digital notebooks, electronic tablets, phones, computer games share the same basic functions. Each one is optimised for a particular task, such as voice conversations, e-mail, or blasting monsters.

But what they have in common is more important than their differences. All these appliances are in constant contact with the rest of the world. continuously updated, seamlessly blending hi-fi sound, television-quality images and instant access to all the world's data. The world wide web is part of this, but only part.

I know, I know. You are yawning aiready. This is the science fiction vision we have been promised since the dawn of the computer age. But this time it is real. in fact, it is no more than a Here is the final proof: telecoms equipment companies are merging with

year or two away. computer networking companies. That might sound an arcane bit of corporate manoeuvring, but it is absolutely central to the story. Nortel Networks, a merger of Canada's Northern Telecom with California's Bay Networks is one examule, So is Lucent's acquisition of Ascend.

ASOO, ATR 72. ATR 42 and Domler 228).

Regularments of Expressions of Intersel

Further mergers are almost certain to follow. The freewheeling, rapidly changing world of computer

networking is culturally as far away from the buttoned-down phoneecuipment business as you can imagine. So the fact that the two are willing to get together tells vou something: both sides see no

Until a year or so, most of the traffic on the world's telecoms networks was voice. Now, in the most advanced countries, the majority is data. In a few vears' time, voice will be a tiny fraction of the traffic. Only computer networking technology can carry data efficiently - Its switches are 15 times better at handling data than exchanges

designed for voice traffic. But the phone equipment people have a trump card. too: a history of staggering reliability. As Mr House says, it is the difference between 99.8 per cent untime (a good computer network) and 99.9996 per cent

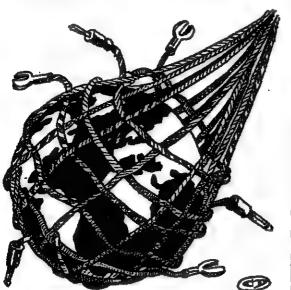
(a phone system).

That might seem esoteric. but it is not. Think what that means in terms of the user experience. When you pick up a fixed line phone, you do not think twice about whether you will get a dial tone. You just know there will be one. And, these days if you get a wrong number. you assume you misdialled, The system's reliability is taken for granted.

When you use one of today's cellular phones, you cannot be certain you will get a signal. Probably you will, but sometimes you will not. And using the internet over a dial-up connection is even more unnure. Psychologically speaking,

the three experiences are distinct. A pretty reliable connection is quite different from a very reliable one. The Lucent/Ascend deal

and the Nortel/Bay Networks merger will help bring phone system reliability to all networks. voice and data. And broadband connections - in corporate natworks, at home



CONTRACTS & TENDERS

<u>INVITATION FOR THE SUBMISSION OF EXPRESSIONS OF INTEREST</u> TO ASSUME THE MANAGEMENT OF OLYMPIC AIRWAYS S.A. UNDER A MANAGEMENT CONTRACT

Within the framework of Greek Privatisation Law 2000/1991 and the decision dated 29 January 1999 by the interministated Committee for Privatisation of the

As a minimum requirement, in order to be considered for the Mendate, Interested Parties should be companies apecialising in the provision of services in the area of sinhe management, or should be an abline of sufficient size, with the relevent experience, resources and qualified executive personnel. All interested Parties must be linearcially sound and credible within the contest of the size and scope of the Mandate.

OA is the national carrier of Greece, it was founded in 1966 and its sole shareholder is currently the Greek State. The Company's principal activity is the provision of scheduled air transportation services for passengers and cargo, both domestically (mainly through its subsidiary Olympic Aristion S.A.) and Internationally OA also provides ground handling services to airlines at airports in Greece and operates a full service maintenance facility at Hellenburn Airport in Athens, in addition, OA has subsidiary companies which are active in the provision of charter airline services (Nacedonian Airlines S.A.), catering (Olympic Cataring S.A.), the operation of reservation and distribution systems (Galleo Helias S.A.), travel and tourism (Olympic Tourishid S.A. and Olympic Air Cruisse Ltd).

The Company's international network covers destinations in Europe, North America, Asia, the Middle/Neer East and Africa. The domestic network includes trunk routes on the mainland and an extensive inland network. OA's feet (including its subsidiaries) consists of 52 aircraft (Soeing 747, 737, 727, Airbust

The Company is implementing a Restructuring and Recapitalisation Plan which was approved by the European Commission in July 1898, it is also preparing to more its base from Hellenikon Airport to the new Athens international Airport at Spate.

The overriding purpose of the Management Contract is the implementation of the Company's Restructuring Plan, after an initial objective assessment and, if trequired, further development of the Restructuring Plan on the basis of the Management Contractors' expertise. The Management Contract is intended to tune around the operating and financial performance of the Company in order that it is profitable and to ensure its long-term viability according to private sector criteria. The Management Contractor will also undertake the necessary steps that will enable the Company to enter into the most authable intermetional strategic

The Mandate will require the employment of a mander of top level executives, whom the Management Contractor should be able to supply on alignature of the Management Contract. The Management Contract, The Management Contract of the Management Contract of the Management Contract will be awarded for a defined period of fine, indicatively

It should be noted that consideration will be given to Expressions of interest from both single corporate entities and associations of companies formed for

From the Expressions of interest submitted, a short-list will be formed from those interested Parties who meet the minimum requirements of the Mandale in respect

of their general and specific qualifications, as well as their financial soundness. The short-listed Panies will receive, after first signing a Confiderability Agreement, a

detailed Request for Binding Proposals which will include confidential information along with details concerning the timetable for selection, as well as a dreft.

Management Contract. After the submission of the Binding Proposals by the short-listed Biddens there will be a short period of clarifications and interviews. The Management Contract will be negotiated and finalised with the Preferred Bidden.

The Greak State and the Advisors reserve the right to change the terms of this invitation, including the timetable and process of ascerding the Management Contract, if deemed necessary and under the condition that prior notice is given to all participants in this process. The Greak State reserves the right to annual this process if it deems the overall result to be unsatisfactory.

Interested Parties acquire no rights, claims or entitioments for compensation by the Greak State, Olympic Alfredys and/or the Advisors for any reason or causes

This invitation has been deplied in the Greek language and translated into English, and in any event the Greek last prevails. Interested Parties should address all

ETERA A.E.

Athens, 102.95

Til-14 Attention Avenue

Fac. +301-3296 253

Atlantion: Mr George Coulectedings

Expressions of Interest should be submitted to the following address by 19:00 Greenwich Mean Time on 12 February 1999 and labeled as follows:

In order to be considered for short-listing, interested Parties should submit an Expression of interest which includes:

() A description of their business activities, corporate and ownership structure and recent financial performance;

iii) A description of their access to suitably qualified and experienced personnel to undertake (the Mandale;

ilij Detalia of relevent corporate qualifications and credentials to undertake such a Mandate:

(v) A description of any experience and credentials within the Greek marketplace.

Expression of interest for the Assignment of a Contract Pertaining to the Management of Olympic Airways S.A.

Stammary Description of Process for Awarding the Management Contract

Salomon Brothers International Limited

Attention: Mr Justin Symonds, Vice President

111 Buckingham Palace Road

London SW1W OSB England

Tel. +44-171-721 1358

Fax. +44-171-721 6064

Victoria Plaza

Salomon Brothers International Umited

London SW IW OSB England Attention: Mr Simon Hirst, Director

Victroria Piaza

enquiries to:

not the transferred of Greek Philassisten Line 2000/1991 and the occasion ossed 29 Junium; 1995 by the manufacture Commisse for Precausions of the Benic Republic (HCP-), Salomon Brothers International Linelad (-Salomon Smith Benney) and the National Investment Bank for Industrial Development SA. TEBA-), hereinster jointly referred to as the Advisors, have been authorised to seek, acting on behalf of and as acclusive financial advisors to the Greek State, uitably qualified Management Contractor to assume the management of Olympic Airways SA. (-OA- or the -Company's netroducing plan and process of forming

and over next-generation cellular - will transform the experience in other ways. Here is a practical

example. Today's internet shopping sites are the equivalent of catalogue shopping. They work just fine for transactions where you know what you want, or can easily choose. But in many sales transactions and almost all high-value ones - you need advice from a human being. You want to ask questions, and assess the plausibility of the answers. Tomorrow's shopping

reballes will have buttons you can click to connect you mmediately to sales people who will answer your questions. You will hear their voices and see them live on screen. They can call up data and images to show you, customised to your needs. You can send them a picture of yourself, to see how you will look in your new clothes. Some websites are already adding in voice connections. The full version is only a few years away.

example: there will be no real difference between the phone on your desk and the phone in your pocket. All will be cordless, all will have built-in voicemail. All will have the ability to handle your e-mail, keep your diary. and preserve a searchable archive of your conversations. The choice of

when and to whom to be

available will be yours. All this depends on the availability of broadband connections. In homes, it is finally taking off on a massive scale in North America, through cable modems and the advanced phone service called DSL. New corporate buildings will have this sort of access plumbed in from the outset. Refitting older ones will be slower. But third-generation cellular, the system known as UMTS in Europe, will be with us from around 2002. Not only will it provide broadband access for mobile devices, it will put intense pressure on fixed-line

Technology visionaries may say: there is nothing new in all this; we have besaying it for years. And so they have. But now I get it.

operators to move more

peter.martin@ft.com

LETTERS TO THE EDITOR

Benefits of market-driven standards | Fed's policy

From Mr David L. Aaron. Sir, Your editorial "Crossed lines" (January 20) makes the point that the US has paid a price for its

market-driven approach to nications, but overlocks the very substantial benefits of In the US, without man-

dating standards or national coverage, we have nationwide coverage by networks in place or under construction that use four different second generation technologles. The result is that some carriers offer local and long-distance wireless service at flat rates as low as 10 to 15 cents a minute, which is competitive with wireline service prices. Rates in Denmark, by comparison, average 31 cents a minute; in France, the average is 54

similar benefits to wireless customers around the We also believe that much of the innovation in the wireless communication market can be traced to the US's willingness to allow the market to drive standards.

ple technologies and compet-

In fact, it is worth noting that code division multiple access technology, a leading contender as a standard for third generation technology, likely would not have been developed commercially if a single standard had been mandated in the US because it was submitted for consideration after the adoption of time division multiple access technology.

As we look towards the DC 20230, US

cents a minute. We firmly next generation of these believe that licensing multisystems, we in the US believe that encouraging innovation and competition. itors worldwide will offer rather than conferring the advantage of regulatory certainty on a preferred tech-nology, will be in the best interests of all. For this reason, we strongly support the industry-led standards negotiations now under way in the International Telecommunication Union, and we urge EU member states to ensure that their 3G licensing processes accommodate all ITU recommended stan-

> under-secretary for international trade, US department of co

the negotiations, no com-

peny should use its partici-

pation in the partnership as

evidence of good labour

The fact that Nike has

ignored our concerns on this

point hardly bodes well for

the future co-operation with

the non-governmental organ-

isation community.

Pharis J. Rarvey.

executive director.

International Labor

practice

dards on an equally timely

removes risk of circularity

Sir, In "Watch out for the fireworks" (January 27), Martin Wolf concludes that the Federal Reserve has made serious errors by paysset prices in the formulation of monetary policy. Perhaps it has. Certainly its monetary policy stance has done little to deflate asset

However, it is unlikely to have known with certainty that the information contained in those asset prices highlighted a "bubble" rather than a rise justified by an improvement in the underlying fundamentals On several occasions over

the past few years Alan Greenspan, the Fed chair-man, has highlighted the problems associated with determining the nature of recent economic trends in the US. It appears as though the authorities are uncertain whether these trends are unusual variations of the conventional business cycle or whether the inclusion of new technology in the productive process is capable of raising productivity to new

lavals. Since these uncertainties are unlikely to be resolved conclusively in the near term, surely the Fed is best served seeking price stability while ensuring that the financial system is well regulated and capitalised so as to be able to withstand asset price volatility without severely impacting the real economy. This at least removes the risk of circularity - asset prices depending on expectations of policy moves and vice versa.

Adrian Conningham head of economics. Scottish Mutual Assurance, 302 St Vincent Street, Glasgow G2 5HN, UK

Nike's certification no means guaranteed

therefore particularly dis-mayed at Ms Jones's use of

the Apparel Industry Part-

From Pharis J. Harvey, Sir, Hannah Jones's letter (January 25) disowning the statement of Joseph M. Ha. Nike vice-president, regarding human rights activists in Vietnam is simply not credileading company would com-mit in writing to a highly placed official statements that did not reflect company policy. Dr Ha's statements are therefore evidence of

Nike's embrace of anti-dimocratic values. We have worked with Nike for the past two years as a non-governmental partner to

nership as "evidence" of Nike's labour-friendly corpo-The Apparel Industry Partnership, after two years of difficult negotiations, has only recently succeeded in

developing a charter for a Fair Labour Association to monitor and accredit compa nies. Even after the association is established, it will be three years before any company can be certified as having good labour practices.

There is no guarantee that the White House Apparel Nike will receive such certi-lindustry Partnership. We are fication. Therefore, as we

Rights Fund, 733 15th Street N. W

Russian investments need not be written off and bill markets allowing and moving it to a newly From Mr Igor Nazvanov.

Sir, I do not believe that the Russian market is so 'depressed" and that multinationals must "write off" their investments here permanently,

such companies to cash their investments in fallen banks through trading them on the

That is exactly what bankrupt banks do, transferring the debts into liquid capital

set-un bank.

trust service, Financial Bank Zerich, 2 Vsevolozhskiy peraulok,

Home banking

Number One Southwark Bridge, London SE1 9HL We are lean to encourage letters from maders worldwide. Latters may be fixed to +44 171-873 8938 (set los to "line"), surself, letters.editor@fl.com Published letters are also available on the FT web site, http://www.FT.com.Translation.may be available for

letters written in the main externational languages. Fax 0171 873 5538, Latters aboutd be typed and not hand written.

PERSONAL VIEW BARRY EICHENGREEN

The private sector could play an important role in helping the IMF to set up a new

🖰 he crisis that erupted in Thailand in 1997 left Bangkok's akvline studded by unfinished skyscrapers and half-built archi tects' dreams. One fears that the same fate will now befall that other set of architects the ones seeking to rebuild the international financial system. That process now resembles nothing so much as an open competition for a lavish commission. Anyone with a pencil has enhanted

Judges of architectural competitions winnow submissions by rejecting those that fail to conform to the site or exceed the engineer ing capabilities of the builders. A first step towards a consensus on financial reform is to reject grandiose schemes for which there is no political support.

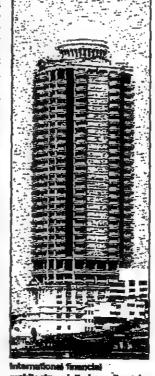
However compelling the argument that global financial markets require a global financial regulator, global bankruptcy court, global money, and a global central bank, realism requires acknowledging that national governments are not prepared to turn over signifi- of international standards. cant additional powers to a super-International Monetary Fund. Europe has creafter half a century of hard that this process could be replicated on a global scale in a few years.

What remains is a limited agenda, but an important one. The first element is the need for international financial standards. It is impossible to fix the international financial system without first fixing the domestic financial systems of countries active on international narkets. But neither the IMP nor any other multilateral agency has the resources to micro-manage this process in 182 countries. The only practical approach is to develop and adopt international standards of acceptable practice, not just for

bank regulation but also for

auditing and accounting,

corporate governance, and



ctore: let's hope it works

In doing this, the lead International Bar Associa-

moreover, capital requireunlikely to prove effective.

excessive risk an additional trading on their markets. way to lever up their bets. Government guarantees for banks regarded as too big

to fail encourage foreign investors to provide those funds. And when confidence is disturbed, the short maturity of their loans provides these investors the opportunity to flee. Their rush for the exits can bring down not just the banking system but the currency and the econ-

This creates an argument for limiting short-term bank borrowing abroad in countries where banks' riskmanagement practices and regulatory supervision do not suffice. And where slog it is fantastic to think tion, and others. The DMF banks can circumvent these can help enforce these stan- measures by having the dards by issuing blunt companies do the borrowing saments of national and pass on the proceeds to

> Brazilian debacle is the need for the vast majority of emerging markets to move to more flexible exchange rates

regulation. But the sad truth bankruptcy law as well, is that banks in too many exists a reasonable degree of nomics and political science National practices can differ countries have a limited consensus is on changing at the University of Calif-

A last area where there The author is professor of ecoin their particulars, but all capacity to manage risk and the provisions of loan con-

that regulators have limited tracts. Majority voting and capacity to supervise their sharing clauses should be actions. In such countries, added to loan contracts to prevent isolated creditors ments in theory and capital from resorting to lawsuits requirements in practice are and other means of obstructtwo different things. Conse- ing settlements. This is the quently, revising the Basie only practical way of creat-Capital Standards to make ing an environment more capital requirements sensi- conducive to restructuring tive to the source of banks' negotiations. Unfortunately, funding as well as the riski- this is a process in which no ness of their investments is borrower wants to be first. The IMF will have to make The basic problem is that clear that it will lend at free access to foreign more attractive interest finance, short-term finance rates to countries that issue in particular, is incompatible debt securities with these with financial stability. For- provisions. US and UK regueign funding gives banks lators should require the re-gambling for redemption and evant provisions of internaotherwise seeking to take on tional bonds admitted to

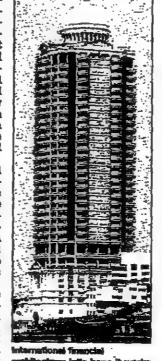
Finally, it is important for aspiring architects to draw the right lessons from the Brazilian debacle. IMF protestations not withstanding, one indisputable lesson is the need for the vast majority of emerging markets to move to more flexible exchange rates. Brazil illustrates yet again that, in a world of high capital mobility, democracies cannot credibly attach priority to the maintenance of pegged exchange rates above all other goals of policy.

Brazil is also a blunt reminder both of how few countries have the kind of unquestionably strong policies that might permit the IMF to extend unconditional credits in advance and of how small the Fund's resources remain relative to those of the market. The new "contingent facility" for the IMF, as suggested by the the Group of Seven, is not a feasible response.

This week's meeting in Davos was yet another occasion for the pundits to flog their pet plans. Most of their ideas are not practical guides for policymakers. The time for this is over. The tressed by a Chilean-style task now is to move from

Building on a consensus

international financial system



must satisfy a common set omy as well: must be taken by the private sector, by the International ated a single currency and a Accounting Standards Com-European Central Bank only mittee, Committee J of the practice and offering conces- them, broader measures may

One indisputable lesson of the

sionary interest rates on its 'be required. Financial stabil-

loans to countries that com- ity may have to be but-A second critical area con- tax to limit short-term for- abstract schemes to concrete carns banks and capital eign borrowing by all domes- action. This means discardflows. Everyone agrees on tic entitles. The internating unrealistic proposals and the need to strengthan tional community should building a consensus around banks' risk management and become an unambiguous those that remain. supervisors' oversight and advocate of these measures.

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COMMENT & ANALYSIS

EEDITOR

andards Fed's policy minimum of the Land Land Lie me in the in distribution of Circularity Continue the Property

TUPNDAY CUBE, AND

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday February 2 1999

Dealing with reality

Brazil. after agreeing a the Brazilian government first programme with the Interna-tional Monetary Fund, has got the damage. The first item is fisitself into a mess. Its defence of the Real peg failed. So too its attempt at a controlled devaluation. The government must now try to rebuild credibility, so that interest rates can fall from unsustainable levels. It needs a new plan, and soon. This should include additional fiscal measures, a reaffirmed commitment to privatisation, and a new anti-Inflationary anchor. With these elements in place, it should also involve continuing IMF support.

Having been forced to devalue by market expectations and political failure, the Real is close to 2 to the dollar, a fall of some 40 per cent. Short-term interest rates have been increased to almost 40 per cent. As well as threatening a deep recession, such high interest rates compound the government's central problem; a fiscal deficit, which last year reached 8 per cent of gross domestic prod-

Stabilising the fiscal deficit was the central objective of the plan agreed with the IMF to defend the exchange rate peg. High interest rates will cause the government to miss its fiscal targets. Clearly it has broken the exchange rate promise. However, the IMF should agree to disburse the second tranche of the \$41.5 bn international support package. devastating signal.

This support should depend on

cal policy. The bulk of the existing plan has now, belatedly, been passed by Congress. The government must ensure its speedy implementation. Furthermore, it should announce new fiscal measures. This would demonstrate its commitment to dealing with the fiscal problem, and help rebuild trust. The unwieldy and

Second, the government must reassure the markets that it remains committed to privatisation and an open economy, The privatisation of Petrobras, the state of company, would be a positive shock to expectations.

unfair state pension system is an

obvious target.

Third, Brazil needs a new, credible anti-inflationary policy. A return to high inflation is not inevitable. Indeed, the recession Brazil will suffer this year will keep a lid on price rises. However, high interest rates in part reflect fears that the government will resort to monetisation to meet its short-term domestic debt obligations. To do so would undo the good work of the real plan in taming hyper-inflation.

To ensure that there is no return to the bad old days, Brazil needs a new monetary anchor. One option is a currency board. The other is a transparent inflation target, with the central bank charged with its delivery. Whichever the government chooses, there is no time to waste.

Home banking

For the giants of European providing additional impetus. banking there are no easy strategic options at either regional or where rationalisation has been terday's proposal for a merger between Société Générale and

CHATTER The French banking market has been far from an unexciting backwater over the past decade. Yet the natural development of the financial system has been held back by important constraints. The disruptive business of nationalisation and denationalisation complicated the ownership structure. So, too, did the problems of Credit Lyonnals, where a government-inspired attempt to create a national champion with pan-European ambitions led to disaster.

Against that background the menger of two institutions that inhabit the uncomfortable ground between the big league and the niche players' territory is logical. It follows a similarly domestic merger proposal in Spain between Banco Santander and Banco Central Hispano. respectively numbers one and three in the Spanish banking market. No doubt there will be more single-country consolidation of this kind across the European single market, with economic and monetary union

Yet for the combined groups that simply leaves a larger strateglobal level. But in countries gic question. In terms of market capitalisation and gross assets, slow to gather pace there are at Société Générale and Paribas least some domestic options that rank with the global glants. But make good sense - witness yes- they are nowhere much in global ditions have changed dramatic- ceived aversion of the leftwing this is an area of historic strength for both institutions.

One risk in a country where the state traditionally entertains ambitions of its own for the leading banks is that the enlarged entity will be encouraged to pursue a cross-border strategy that reflects an outdated national champion philosophy. The cutcome might not be as disastrous as at Crédit Lyonnais - that would be difficult - but it would be unlikely to be very successful.

Another risk is that the French may be tempted to follow the Germans in trying to scale the peaks of investment banking in the US. So far this has proved both expensive and fruitless for Deutsche Bank, it is also a route which the big Swiss bank UBS has found very troublesome.

The final, more general risk in continental Europe is that merg-ers may do little for rationalisation because the legal constraints on shedding labour remain so powerful. The potential of the single market will not be fulfilled if consolidation fails to bring a serious attempt to reduce over capacity in European banking.

ish insurance. Axa's proposed acquisition is Italy's San Paolo-Imi Bank have expressed their interest in establishing a footbold in the French market by acquiring, or forging alliances with, French For some time, though, nothing

ING of the Netherlands, and

happened. Potential predators among foreign banks adopted a wait-and-see attitude, with each player, as in a poker game, hoping another will show its cards Several factors help to explain

their reluctance to make a big move in France. First, the percoalition government to hostile takeovers.

such as the Caisse d'Epargne savings bank, have a monopoly on savings accounts that pay high-yielding interest rates and make it difficult for commercial banks to compete for savings. Indeed, other French banks complain of unfair competition from mutuals and state-owned banks. Third, the privatisation method

- and leave the current manag-

ers in place.

and patterns to offset the used costs the law involves. Last year, however, the pressure on profitability due to cut-throat competition for business between French banks, was lifted - however, temporarily by the improvement in the economy. With consumer spending

up, most banks reported record

profits from their retail activities in the first half, offsetting emerging market-related losses. That forms the background to France's largest banking merger. What might happen now?

Last week, Swiss Life, the insurance company partly owned inefficiencies in the French bank- increased its stake in Crédit Coming system might be exacerbated mercial de France, one of

Euro premier league

KeesStorm, chairman of Aegon, the international life assurance and pensions group based in the Netherlands, says Munich Re believes the euro will the ability to pool asset management is the real significance of Allianz's acquisition of AGF. "If they had believed in euroland they would not have had to

Better late than never Samer Iskandar examines belated moves towards consolidation among French banks and argues that these could herald integration with the rest of Europe

to disclose its intentions under

he euro, only a month old, is already shaking up Europe's banking system. Last month saw the \$34bn merger of Santander and Banco Central Hispano in Spain. Yesterday, Société Générale and Paribas said they would

The impact of the latest \$17bn merger is likely to be felt beyond France's borders. Not only is the new group, renamed SG Paribas. expected to act as a catalyst for the rationalisation of France's own banking sector; it may also mark the beginning of a broader consolidation across Europe where, encouraged by the single currency, half a dozen pan-European banks are expected to emerge over the next few years.

Indeed, within minutes of announcing their decision to create France's largest bank, Société Générale and Paribas signalled their intention of looking for new

André Lévy-Lang, who is to become chairman and chief executive of the new group, said there was interest in buying a stake in Crédit Lyonnais, the state-owned bank earmarked for privatisation before the end of June.

French banks have lagged far behind their European counterparts in the consolidation game. According to a report published this month by Moody's Investors Service, the French banking industry is "comparatively less concentrated than in the UK. Switzerland or the Netherlands". No French bank has more than 10 per cent of the country's deposits.

It is therefore likely that Soc-Gen and Paribas are merely taking the first step towards the far more significant repositioning of Suropean banks. "This is just the first step in a long process," said one analyst. "We expect other similar operations before the end

A decade ago, two French banks - Crédit Lyonnais and Crédit Agricole - were among the world's largest as measured by assets, and SocGen was the biggest participant in the global derivatives market. But having stayed on the sidelines during the international merger frenzy of the past few years. France had lost its seat at the top table of global banking.

in the past coople of years, conally. In particular, the euro has highlighted the importance for banks of structuring their activities along pan-European, rather than purely national, lines.

in recent months, signs have emerged that the widely expected shake-up was imminent. A number of foreign banks - including Deutsche Bank ARN-Amm and

The consolidation sweeping Europe's financial ser-vices industry can mean a multiplicity of roles for individuals such as Claude Béhéar, chairman of Axa, the French insurer. On the same day he was flagged as a future board member of SG Paribas, the enlarged French banking group, Mr Bébéar was explaining why Axa had made a recommended offer for Guardian Royal Exchange, one of the oldest names in Brit-

the latest in a series of crossborder acquisitions that have seen the emergence of a "premier league" of European insurers. When Allianz recently acquired AGF, the French earnings in the form of dividends. Some state-owned banks,

Second, the power of mutually owned and/or state-owned banks.

largest bank and the largest before yesterday's merger was announced, is mutually owned). Mutually owned banks are under little or no pressure to distribute

said it was keen to secure a

prominent market position in

France and other euro-rope countries. ING, the Netherlands

insurance and banking group,

said its acquisition of BBL, the

Belgian bank, had given it a sec-

Last week GE Capital, the

financial services subsidiary of

US group General Electric,

brought together its European

consumer insurance and invest-

ment activities into a new com-

and home in Europe.

than many companies to this

chosen for Credit Lyonnais locks and the property market picking up a large proportion of the bank's capital among "friendly partner-shareholders" and makes it all but impossible for a buyer to gain control. The government stakes of around 5 per cent each

Lastly, there were fears that by the introduction next year of a France's 10 largest banks, to shorter working week. Banks are above 10 per cent. considered to be more vulnerable. However, Swiss Life, which had

siderable consolidation among

European Insurers, But Merrill

Lynch, the investment bank.

estimates there are still more

Consolidation and the launch

of the euro are expected to have

most impact in markets that are

already transnational, such as

commercial insurance and rein-

curance. Munich Re, the large

German reinsurer, has predicted

that demand for reinsurance

than 5,000 insurers.

Different tax regimes and pension systems are delaying a fuller consolidation of Europe's insurance industry, says Andrew Bolger insurer, the German company pany called GE Insurance Hold- cover will also increase if the ings, forcastinging further con- launch of the euro leads to an sconomic upswing. However,

> also intensify competition. There is also a growing realisation that a simple consolidation logic cannot be applied easily to potentially profitable areas such as the life assurance and pensions market which is bound to grow as European governments transfer more of their pensions burden from the public to the private sector. Pensions are so

OBSERVER

Metall-bashing

annual pay round is upon us, and lG Metall, the mighty engineering workers' union, is back in the front line. The trade union has made an unrealistic demand - 6.5 per cent, when inflation is below 1 per cent, and unemployment (over 4m) may well be on the rise again. The employers have come back with an inadequate response - 2 per cent, with an optional lump-sum extra of 0.5 per cent for "profitable" companies. Now both sides will huff and puff until a compromise is reached. But far too many manhours will be lost in the process of protest.

It is all rather predictable, and even, one might think, reassuring. But it is also foolish. This is a pay deal which is likely to be the benchmark for most of German industry. Yet it is being conducted according to rules which have outlived their usefulness.

At a time when the trend is towards flexibility in labour markets, both union and employers in Germany's most important industrial complex are locked into a monolithic process of colloctive bargaining. The result will not reflect the variety of the industries they represent, nor the

interests of their workers. One mistake has been made already: both sides have agreed that wages in east German industries will catch up with those in the west this year, and the same the longer term.

The sound and fury of Germany's pay deal will apply. Given the big gap in productivity between east and west, that is wrong-headed, and will not help create new jobs. But it may well be ignored on the ground. Latest figures suggest that only half the engineering companies in the eastern Länder observe national pay deals.

The wage round covers not only the motor industry, which had a good year in 1998, but many other metal-working industries, like shipbuilding, which can scarcely afford the same sort of pay rise. Yet IG Metall is adamant that collective solidarity must be maintained.

A bruising confrontation will certainly not be to the liking of the new German government, which has made an "alliance for jobs" its highest priority. But moderation in the pay round is not helped by memories of preelection rhetoric from Oskar Lafontaine, now finance minister. who called, little more than a year ago, for an end to pay

Times change. Mr Lafontaine has to balance his budget now. He is looking at the parallel public sector pay round (wage claim 5.5 per cent) with some concern. Perhaps the most useful thing that the government's alliance for jobs can deliver at this moment is wage moderation, and a willingness to relax the rigid rules of collective bargaining in

Claude bags his prey

The big game hunter at the helm of French insurance giant Axa has made another killing. Claude Bébéar, Axa's wity chairman, has stalked the venerable Guardian Royal Exchange. But when he's not plotting acquisitions, he's indulging his passion for shooting game - usually in France's former colonies. His office, which looks more like a gentleman's club, is lined with antique British guns and stuffed animals' heads.

hobby might have proved useful as he prepared to pounce on GRE After putting GRE into play in November, Axa went very quiet. While other prospective bidders spun their stories, Axa got to work lining up buyers for the bits of GRE that would not fit with Axa's UK subsidiary, Sun Life and Provincial Holdings.

The skills required for Bébéar's

The only question: is GRE worth bagging? One reason Axa's offer beat Royal & Sun Atliance was that the market decided Bébéar had lost interest in GRE - and marked up Sun Life's shares in relief. The sharp drop in Sun Life's share price yesterday suggests the hunt

Job share

France's financial efite occupies an endeaningly small world. While chief executives may move from | Kombium, the US ambassador in

bank to bank, the same short list Bonn, doing in yesterday's stays in power for decades.

Bonn, doing in yesterday's mass-market Bild newspaper, stays in power for decades. But there are pitfalls in viewing the Société Générale-Paribas deal as another manifestation of the stranglehold of the Ecole

Nationale d'Administration and the Polytechnique on the Paris financial system. Daniel Bouton, SG's chief executive, fits most closely into the traditional mould. graduating from ENA and serving most of his career in the finance ministry. André Lévy-Lang, on the other hand, although a Polytechnicien, jumped quickly into industry before hopping sideways into the distinctly unconventional Compagnie

Still, the two banks have opted for a distinctively French management carve-up. Paris investment bankers explain that French chief executives don't get as much money as their US counterparts, so they have to seek gratification in the power and privileges of the job. That makes it harder for anyone to give ground in a merger. But Paribas and SG have neatly resolved the dilemma by putting the cerebral Lévy-Lang in the top seat for the next three years -

Calorie wars

over in 2002.

Bancaire.

Camival season in Germany always takes a bit of explaining. But what, exactly, was John C.

with Bouton scheduled to take

dressed as a cowboy and clinging to Heide Simonls, the bewigged prime minister of Komblum was getting this

year's "award against deadly seriousness", given annually by Aachen carnival organisers to prominent individuals "for showing true humour and humanity in his or her public position". He rose to the occasion by threatening an ambassadorial blockade of the Bonn government guarter if Joschka Fischer, the slimline Green foreign minister, insisted on pushing his personal regime of vegetables and jogging on to the diplomatic corps.

Komblum said that "no first

use" might be a suitable strategy for nuclear weapons "but with creme fraiche, it's out of the question". There was further belligerent talk of ambassadors hanging on to their "arsenal of Cognac, smoked salmon and steaks". Heaven knows how he explained it all in a telegram to Washington.

Laugh a minute

The annual banquet of The Bankers Club is becoming a London showcase for candidates for the presidency of the European Central Bank. Last year, Wim Duisenberg, then still unconfirmed in the job, set out to deliver "the dullest speech

imaginable", on the widely held premise that the last thing anyone expected from a central banker was excitement. He didn't disappoint; laughter was as rare

as a benevolent banker. Last night, the guest speaker was Bank of France governor Jean-Claude Trichet, whose desire to relieve the luqubrious Dutchman of his Frankfurt duties still burns deep within him. But bankers also know better than to expect a fun-packed speech from Trichet

Though Observer can confirm that he is, on occasions, verging on the jovial, it appears that Trichet and Yves-Thibault de Silguy, the French EU commissioner, have only one euro joke between them. Both men used it during last year's Washington conference. At least it wasn't about Duisenberg.

Tea strainer ls it tea-time for Londoners? Tea

and coffee seller Whittard of Chelsea wants to knock the froth off those painfully trendy coffee bars that seem to have claimed the capital's streets. But Rod McKie, the managing director who counts the beans at Coffee Republic, says Whittard is setting more coffee than tea at its first "t-bar" in London's Baker Street. He reckons tea will never be in vogue because no one knows what to do with the bag. Observer will have to let that one

French market regulations, said it had "no intention to take con-So with CCF, (which many had

seen as a target) considered at least temporarily out of play, attention has turned to Banque Nationale de Paris.

Until recently BNP was Soc-Gen's direct rival in commercial banking. It is still France's thirdlargest bank but SocGen's merger has opened up a huge gap

in size between the two. "This merger puts BNP in an unsustainable position," says a banking analyst. "It will have to react fast, or risk being marginalsed, especially in investment

banking."
But what can BNP do? The most obvious move - and still the most likely - is to link up with another large French bank, Along with Paribas and SocGen, BNP has expressed interest in acquiring a sizeable stake (of more than 5 per cent) in Crédit Lyonnais. Analysts believe yes terday's deal could boost BNP's chances over its rivals.

Such a deal might also face little opposition from the government, which is thought to favour domestic alliances over crossborder mergers.

But there might still be a problem. Paribas is the only bank in France without a branch network. Any other merger would almost certainly involve job cuts, which could provoke opposition from unions. "SocGen and Paribas made the easiest, most obvious, move," says one analyst. "It does not involve any politically sensitive job cuts. Any other tie-up between two French banks will only make sense if it offers potential for cost savings. This means branch closures and staff-

ing cuts." So there is another possibility: BNP might seek a cross-border alliance - a strategy which many analysts consider the more likely. That opens up the possibility of a large foreign bank entering the French banking system.

If that happens, the move might well be a dramatic one. "This government is not likely to allow a bank the size of Deutsche or ING to make more than one Franch acquisition," says one banker. "So if you have a war chest large enough to sim for a bank the size of Crédit Lyonnais, you are not going to waste your only opportunity to enter this market on a second-tier

player." And if a first-tier bank in France is indeed swallowed up by a bank from another European country, the story of French banking will move from domestic consolidation to integration in

inextricably entwined with national tax regimes and laws that there is very little scope for trans-European products -

although the biggest groups such as Axa and Allianz can certainly benefit from centralised asset

acquire that big group - they would have done it from Germany," he says. "But I don't see any French customer buying a policy in Germany."

Ginancial Time 100 years ago

The Viceroy Speaks

In the course of his reply to an address presented by the Calcutta Trades Association, Lord Curzon, the Viceroy of India, said: "I am certainly of the opinion that English money should be attracted to India. The Government should do what lies in its power to encourage such a movement. The opposite theory which has been argued, namely that the employment of British capital constitutes a drain on the natural resources of the country, I regard as a mischievous delusion. i consider that British and native capital is needed for the development of India. Native capital is shy, and requires to be coaxed. It is not vet habituated, at least in Bendal, to large ventures."

50 years ago Foreign Capital In India

Calcutta, Feb. 1. On the eve of the new session, it looks doubtful whether the Indian Parliament will get through the agenda of seventy Bills scheduled for debate. It is understood that the Premier himself will make an early statement on the future role of foreign capital in India, and the indications point to a more liberal and realistic treatment of this subject

TUESDAY FEBRUARY 2 1999

THE LEX COLUMN

Parisian Société

If ever a deal was likely to reinvigorate the moribund French banking sector, this was not it. Société Générale has gone after scale not quality by taking over Paribas. Putting the two together will not create a more powerful institution, SG and Paribas overlap <u>mainly</u> in investment banking, where the combination will make them world number five in a few product areas like derivatives and trade finance - hardly pulse-racing stuff. More worryingly, as Paribas has no branch net-work, the deal also fails to do anything about France's over-competitive domestic banking market. Elsewhere in Europe, banks are merging to cut costs in their retail networks. The inability of French banks to follow suit is becoming a handi-

€800m in annual pre-tax cost savings from merging the two groups' non-French investment banking businesses. But investors are suspicious of this figure because of fears that cutting investment banking costs will also hit fees. In addition, although SC is saying the right thing by promising to reduce the amount of capital tied up in investment banking, it plans to spend the released capital on acquisitions rather than returning it to shareholders. These factors - coupled with prior bid speculation - may explain why the value of the combined group

SC may have done the wrong deal but it still seems better off than rival Banqua Nationale de Paris, which is now left without a partner. But help could be at hand for BNP; the government could give it a big role in Credit Lyonnais's privatisation to prevent it from falling too far out of

GRE/Sun Life

As auctions go, it has been sadly lukewarm. After much huffing and puffing, Sun Life and Provincial - and its French parent, Axa - are paying less than 380p a share for GRE. In theory, Eureko should return with a cash bid of 385p. But as it has yet to conduct due diligence and would have to pinch Azz's buyer for the US business, this looks a long shot, Royal & Sun Alliance also seems to be shrugging its shoulders. Of course, this could change if the winner's shares keep slid-

Share prices relative to CAC 40 index

ing, RSA can reflect that there is some justice in the world. It met some scepticism over its plan to buy GRE, despite the obvious industrial logic; compare its £150m mooted savings with Axa's £80m. Sun Life's 9 per cent share price fall yesterday showed the market's displeasure at a dilution of its life assurance core, and some concern at the challenge it faces in improving GRE's flagging profits. But Sun Life's shares have marely been debunked from 2-3 times book value, RSA's were struggling even to match it.

The price obtained for GRE does not look impressive. GRE may point to a net asset value of 2830 a share to make the multiple look respectable at close to 1.4 times. But this admits to destroying nearly 2500m of value last year in its health insurance and US acquisitions, whereas Axa appears to have sold the latter for close to what GRE paid. Axe looks set to enhance its reputation for buying shrewdly at GRB's expense.

Recession, what recession? That could be the sittings of the Bank of England's monetary policy committee when it meets later this week. After all, the economy did not shrink in the final quarter of 1998 -contrary to the dire predictions of some. And last week's Confederation of British Industry survey shows business is not quite as pessimistic as it was about growth. So there is no point in cutting Hold on a moment. The economy may

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well not be in reverse. But it is, at best, tering along and the recovery in sen timent is fragile. Equally important, businesses are even more gloomy about their ability to raise prices than they are about output. Witness yesterday's record low reading on prices in the Purchasing Man-

True, underlying retail price inflation did poke its head above the 2.5 per cent target in December. But deflationary tendencies remain and, on a medium-term basis, inflation looks like undershooting its target. Add in the fact that sterling has recently strengthened and that base rates of 6 per cent are perhaps 1 percentage point above the level consistent with a neutral monetary policy - another half point cut looks appropriata.

Caterpillar

If Glen Barton has any qualms when he takes over as the new boss at Caterpillar this week, he can console himself that the task confronting his predecessor was much more daunting. Donald Fites took up the reins in 1990, when the world's biggest maker of heavy earthmoving equipment was desperately trying to overhaul its manufacturing operations in the face of acute competition from Japan's Komatsu and a domestic market plunging into recession. Today, the situation is less serious, and the financial strength and underlying productivity at Caterpillar hugely improved. Still, there are enough short-term worries to have pegged the shares for the best part of two years.

While the US construction market remains healthy, price competition is developing in key lines, such as backhoss. And while the farm sector's woes have a modest direct impact, they could hurt the group's Perkins Engines subsidiary, Brazil and its possible domino effect on Latin America, is less important to the company than the Asian crists, but it is hardly

Perhaps Mr Barton's best hope is that Asia is beginning to bottom out, while US demand remains reasonable. That way, Caterpillar may get away with the 10-15 per cent earnings decline analysts are forecasting for this year. But with so much scope for slippeare if events go awry. the shares, even on a forward ratio of only 18 times earnings, do not look attractive.

US manufacturers bounce back as Europe shrinks

European manufacturing continues to shrink - in sharp contrast to the a recovery at home and abroad, according to surveys published yes-

The figures also show that deflation within Europe may soon become apparent, with the price of materials paid by manufacturers continuing to fail.

Surveys of manufacturing purchasing managers in Germany, the UK. Italy and Switzerland all reported continued contractions in output and orders in the sector. In contrast, the US National Association of Purchasing Managers'

index saw activity rebound sharply last month. The German, Italian and UK figures add fuel to calls for lower interest rates. The European Central Bank (ECB) and the Bank of

England both hold meetings on Thursday to set monetary policy. A majority of analysts expect the cut rates, while weekend comments with prices being driven lower by by Wim Duisenberg, president of the ECB, cast doubt on a curo-zone cut

Mr Duisenberg said rates would need to be cut only if there was a persistent fall in the level of prices in the euro-zone. But a further fall in the German index of prices paid by manufacturers suggested deflation may not be far away.

The German index fell 89.3 in December to 37.4 last month, well below the "break even" index level of 50. Any reading under 50 implies

activity is contracting.
"This is fuelling fears that Germany is close to deflation," said Robert Lind, a European economist at

ABN Amro investment bank. The UK index also showed a rapid fall in the prices paid by companies for supplies. The Chartered Institute of Purchasing and Supply said its prices index was 32.3 in January, its lowest level in the survey's seven-

"This was largely attributed to greater discounting by suppliers. weaker global demand and the excess supply of many goods," the institute said.

The UK index showed a slight improvement in the decline in output and export orders, but quantity of purchases and employment contracted at a faster rate.

The German data also recorded a slower rate of contraction in output and export orders, but employment weskened further after a recovery in the previous two months.

In the US, Norbert Ore, chairman of the national association, said the rapid jump showed manufacturers were optimistic about a recovery in the sector this year.

Production and new order figures in the US last month both moved from well below the "break even" in

Analysts said the increase was helped by growth in exports, which rose from 44.7 to 49.8.

Clinton is set for struggle with Congress over \$1,770bn budget

President Bill Clinton yesterday promised "a new era of opportunity" get, forecasting more than \$2,400bn (62,700bn) in surpluses over a decade and opening a flerce struggle with Republicans over how to spend the

Announcing the \$1,770bn budget plan for the next fiscal year, Mr Clinton outlined proposals for strengthening the Social Security retirement fund and shoring up Medicare, the federally funded health insurance ulan for the elderly. He also proposed billions of dollars

in new spending on defence, education and on domestic programmes ranging from child care to the envi-

Sending his budget to Congress for Clinton hailed an historic turnaround from the run of federal deficits stretching back to the 1980s.

three decades, we turned red ink to subsidise workers wishing to set

house is in order and strong."

The presidential plan is the opening bid in the annual budget process. Mr Clinton's proposals require approval by a Republican-led Congress that has shown little appetite for his fiscal priorities. Though they have indicated sup-

port for measures to save Social Security. Republicans have already made clear their wish to see across the board cuts in income tax rates, which would return more than \$600bn to taxpayers over a decade. Pete Domenici, chairman of the

Senate Budget Committee, said: "I position stems from a number of ecobelieve American taxpayers have nomic, legislative and technical facgiven us more of their money than tors that have bolstered revenues we need, and we should return it to and restrained spending.

Mr Clinton relterated his commitment to restoring Social Security stock market have been the main and Medicare by devoting about economic factors, while lower pluses to them.

He proposed spending about 10 per cent of the surplus on new individ-"Last year for the first time in ual retirement accounts that would

This announcement has been approved by Dei, which is regulated by the Securities and Future the conduct of Investment business in the UK.

cent - for "pressing national needs" including education, other domestic priorities and maintaining military

Mr Clinton called for more than three dozen targeted tax relief measures, totalling \$36.2bn over five years. For families, there was a proposed \$1,000 tax credit to help cover the costs of caring for a disabled or chronically ill relative. The continuing improvement in

the US federal government's fiscal

Strong growth, low unemployment, low inflation and a surging budgets that have kept spending in check have also helped.

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eking in public without a police permit. Page 4

Companies & Finance

European Company News . Nata-Pacific Company News . American Company News .. nterrational Capital Markets .

Markets

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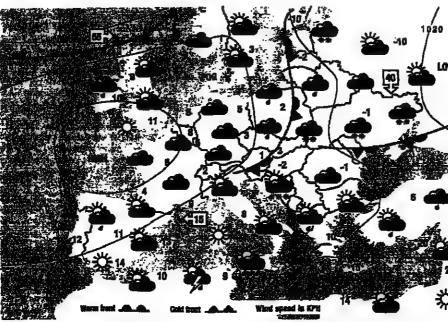
Cityline; how to get stems prices and confect.

احكامن الاجل

FT WEATHER GUIDE

Europe today Scandinavia will be warmer than snow in the north but rain in the fog. The Baltic States and eastern Europe will see snow spreading east; a few showers will be scal tered across the Balkans and ranean will be chilly with heavy showers or thunderstorms but the North-west Europe will be mostly

dry and a little milder than recently Five-day forecast across north-west Europe, with rain only pushing southwards towards the weekend. In Scandinavia there will be rain but more snow in the north, Eastern Europe will stay cold. with tog patches but snow showers will return later in the week. The Mediterranean will remain showery



and cool for a few days. TODAY'S TEMPERATURE Sun Fair Sun Fair Claudy Fair Fair Sun Sun Claudy Sun Fair Fara
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Congratulations

Government of the **Russian Federation**

on the sale of a 2.5% stake in

OAO Gazprom

Ruhrgas AG

valued at

US\$660,000,000

Deutsche Bank

acted as Financial Adviser to the Ministry of State Property of the Russian Federation and the Russian Federal Property Fund

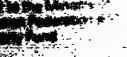
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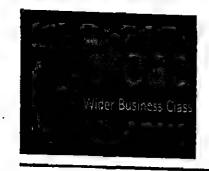
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770bn budget









FINANCIAL TIMES **COMPANIES & MARKETS**

TUESDAY FEBRUARY 2 1999



INSIDE

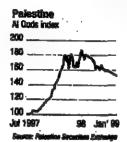
Life assurers break with tradition Japan's vast life insurance sector has a lot to contend with at the moment. As well as a bleak business environment, new legislation is about to be introduced and the Financial Supervisory Agency is to examine the sector. Mergers, stock market offerings and direct marketing are among the solutions that companies have come

up with to end the malaise. Page 26

Blue Circle looks to an Asian future Blue Circle, in common with other multinational cement companies, is shutting down small, high-cost plants in western markets and investing in big plants in south-east Asia. The eastward expansion is likely to dilute earnings for at least two years. But Blue Circle is looking at least 15 years ahead, when it believes its investments will start paying off. Page 28

Lucky strike at Mexican mine Grupo Mexico, responsible for 95 per cent of Mexico's copper output, is sanguine about a abour dispute at its huge open pit Cananea mine. This is because the cost of producing copper concentrate at the ageing Cananea is about 67 cents a pound - while the market price is 65 cents a pound. Page 32

Symbolic Index faces up to reality



These are not easy times for the Palestine Securities Exchange as it approaches its second birthday. The PSE's establishment was as much a symbol of Palestinian sover-

eignty as a way of set-ting up a vieble financial system. But with the laraeli-Palestinian peace process all but collapsed, and no free movement of goods, ser-

vices and people from the Palestinian-controlled areas of the West Bank and Gaza to the outside world, investors believe the risks are simply too

Freeport McMoRan out of favour Freeport McMoRan, the US mining company that operates the world's largest gold mine and third largest copper mine, is struggling to reach a compromise with Indonesian officials who want to double the royalties it pays and block its expansion plans. Freeport has been the prime target of a public backlash against investors closely affiliated with former president Suharto. Page 32

SFE to trade commodities on screen The Sydney Future's Exchange has formed a joint venture with Computershare, an information technology provider, and Agtex Australia, electronic trading market for physical commodities, to be known as the Commodities Exchange of Australia. Traders and farmers

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E*Trade

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AT&T links up with Time Warner

Joint venture will bypass Baby Bells to deliver telephone services to 20 million US homes

AT&T yesterday announced a joint venture with Time Warner, one of two companies that dominate the US cable television business, which will enable it to reach directly into an additional 20m American

The deal represents an important part of the national jigsaw that the largest US telecommunications company is trying to piece together as it seeks to extend its network. The joint venture echoes

AT&T's pending acquisition of Telecommunications Inc.

On the rise

telephone services directly to Americans, rather than relying on the networks of rival local carriers, or Baby Bells, to carry its calls into the home.

Time Warner's cables pass 20m homes, or roughly a fifth of the total, and the company claims 12.6m cable subscribers. TCI has 10.5m subscribers but, including affiliates, its cable networks pass 33m homes. The new joint venture would

make it possible for AT&T to reach into some of the biggest US cities, including New York, and offer telephone services for 20 per cent less than residential customers currently pay, said Michael Armstrong,

TCI acquisition, however, the Time Warner venture will not open a route for AT&T to sell high-speed internet access services, expected to represent one of the fastest-growing parts of household spending on

communications services. Time Warner's own Road Runner service provides a rival to At Home, the high-speed data company that will come under AT&T's control when it buys TCL

Gerald Levin, chairman of Time Warner, claimed that the overlap would not hamper the AT&T and Time Warner ven-ture. He described high-speed internet access as "essentially

chairman of AT&T. Unlike the a local product" provided by a local cable company, rather than part of a broader telecommunications service. "There really isn't any sense of competition here," he added. AT&T said it would make

one-off payment to Time Warner of \$15 for each home passed by its cable systems, or \$300m. It will also face an additional cost of \$10-\$15 per sub-scriber to provide back-up power to support the enhanced cable service, and an additional \$300-\$500 for each home signing up for cable telephony.

On top of that, AT&T said it would pay an initial monthly fee of \$1.50, rising eventually to \$6, for each telephone sub-

scriber, though it described this as "far below" what it would cost to lease wires from the Baby Bells. The telephone service will be provided by a new company which is 77.5 per cent owned by AT&T, with Time Warner owning the rest.

The company will have exclusive rights to Time Warner's network for 20 years. The two said they planned trials before the end of the year, with the new service becoming commercially avail-

able next year. Time Warner should finish upgrading its networks to carry two-way calls by the end of this year, ahead of TCI, said

UK's National Grid pays \$634m for Eastern

By Andrew Taylor,

National Grid, the UK electricity transmissions group, yesterday announced the agreed purchase of Eastern Utilities Associates in the US for \$634m, taking its recent spending on US power acquisitions to almost \$4bn.

The UK group seven weeks ago announced an agreed \$3.2bn acquisition of New England Electric System (NEES), which is conducting the purchase of Eastern Utilities, an adjacent New England electricity transmission and distribution company.

The new deal is the latest in a series of bids by British compenies to break into the US power market which is in the process of liberalisation.

The Eastern Utilities chase will entrench National Grid's position as the region's second largest power supplier, increasing its share of the regional market to 23 per cent. behind North East Utilities which has 28 per cent.

The acquisition of Eastern Utilities will lift the combined businesses' share of the Rhode Island market to 98 per cent and to more than 50 per cent

National Grid, through NEES, is offering \$31 for each Eastern Utilities share. The total cost of the deal, including acquisition of debt. will be about \$1bn. The total cost of

NEES will be \$4.3bn. David Jones, National Grid's chief executive, ruled out any further large purchases until it satisfied US regulatory and competition authorities over both New England acquisitions. This was expected to take about 12 months.

He said the initial reaction of local regulators suggested that the deals would not be opposed. The merger between NEES and Eastern would go ahead even if National Grid's bid for NEES is blocked

Mr Jones said the fragmented New England power market made it ripe for further consolidation. Some 300,000 customers are supplied by Eastern compared with 1.35m by NEES.

He said combining head office, customer services and maintenance would allow Eastern Utilities to reduce its annual operating costs of \$70m by a third. He expected 250 jobs would be cut at Eastern. through early retirement and voluntary redundancy.

Eastern Utilities share price fell mid-session on the New York stock exchange by \$% to \$28%. National Grid's shares rose in London by 5%p to 500p.

NM Rothschild and Dresdner Kleinwort Benson advised National Grid on the purchase Dresdner Kleinwort and HSBC are brokers to the British company. Merrill Lynch acted for NEES and Salomon Smith Bar-

Schwab in move to stabilise internet trades

By John Authers and John Labate in New York

Charles Schwab, the largest online stockbroker, yesterday moved to stop highly lever aged trading in a group of 23 internet stocks, but said trading in some continued to increase from already hectic

In December Schwab increased margin requirements - the proportion of the equity in an account which traders must maintain with the broker - from 35 to 50 per cent for a range of internet stocks. This has now been lifted to 70 per cent for 23 stocks, including E*Trada and Ameritrade, as well a range of internet portal sites and e-commerce groups such as Yahool, Infoseek, Lycos, Ebay, Amazon.com and Beyond.com.

Schwab said it was taking the measure primarily to reduce risk for itself and for customers. "We wanted to damp some of the enthusiasm behind some of this trading. which was increasingly volatile," it said.

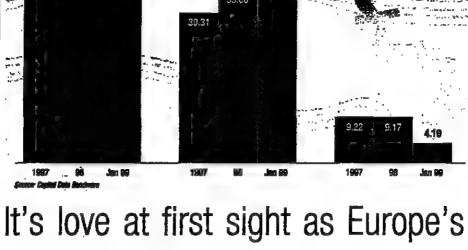
Other brokerages have taken similar actions. Waterhouse Securities has imposed a 100 per cent margin requirement on eight internet stocks. including Ebay and Amazon.com, while it has a 50 per cent margin requirement on a

further 40 stocks. Schwab also prohibited trading in some internet stocks on the first day after their initial public offerings, and has measures to discourage trading in internet stocks. When online customers order a trade in these stocks, they are presented with warning that trading is volatile, and that the price could move significantly.

First Boston shows trades on the internet increased by 34 per cent between the third and fourth quarters of last year, to an average of 340,000 per day. Schwab had 27.4 per cent of the market.

However, Schwab said there had been a change in investors' enthusiasm since then. with a heavy increase in volumes. It is now handling 80,000 calls simultaneously.

Internet broking stocks saw intense activity yesterday, with E*Trade up 16 per cent in early trading after completing a stock split, and Ameritrade gaining 23 per cent.



investors fall for the euro's charms

The single currency is seen as more than the sum of its parts, writes Edward Luce, Capital Markets Editor

rowers have embraced the single currency with enthusiasm. Although bankers warn that the euro's 50 per cent share of all international bond issuance in January is likely to fall slightly in the next few weeks, the currency has clearly established equality with the US dollar at its inception. "No other currency really enters the frame," said a senior US banker.

Given that the eleven "legacy" currencies never surpassed a share of more than 35 per cent of international bond issuance, the euro is clearly seen as more than a sum of its

This is because international investors - including the Japanese who remain large buyers of foreign bonds - prize liquidity, the ability to buy and sell

a security with ease. Of the legacy currencies, only the D-Mark, with a share of between 15 to 20 per cent of international issuance in recent years, provided sufficient liquidity for the large US and Asian funds.

Bond officials point to a recent €8bn (\$3.4bn) issue by Defoa, the German public sector bank, of which about a The proportion would have been much lower 12 months

"uropean investors and bor- ago when the bond would have nated bond has been sold out been denominated in D-Marks. A second factor is that although the proportion of bonds issued in euros will probably fall to a level roughly equal with the share of the US dollar in the next few months.

> ary coincided with a very prolific few weeks of borrowing. Just over US\$140bn worth of bonds were issued, one of the highest-volume months on record. Of this, \$69bn worth was issued in the single cur-

its share of issuance in Janu-

Bankers say that the euro's flying start has been aided by the fact that long term interest rates in the euro-zone are significantly lower than those in the dollar market.

This makes it cheaver for companies and banks to price fixed-rate issues against German government bonds, where the 10-year yield is 3.69 per cent, rather than against US Treasury bonds, where the yield on the 10-year benchmark is 4.7 per cent.

On the demand side, European investors have been happy to accept the lower vields in the euro-zone because there is an expectation that bond prices will rise in the next few months, thus providing them with capital gains. "Almost every enro-denomi- .by the big German banks.

on the same day," said Roger Bates, head of Deutsche Bank's Emu project in London. Meanwhile, European investment banks have surprisingly

outperformed their US coun-

terparts as lead managers for

bond issues in the first month of the single currency. According to Capital Date BondWare, the information provider, European banks account for eight out of ten of the most prolific lead managers of bonds denominated in

The top four banks are Deutsche Bank, Commerzbank, Paribas and Dresdner, with shares of between six and ten per cent of all underwriting business in the euro. The top two US banks are Lehman Brothers and Morgan Stanley. However, senior European bankers say they do not expect to retain their leading position. "We have been very aggressive in the first month," said the official. "But our American

the euro.

to undercut us." In addition, the league tables may have been exaggerated by the unusually large number of German Pfandbrief bonds gages and public sector loans which is a market dominated

friends will pull out all stops

BBV reveals record annual profits and merger strategy

By Tom Burns in Madrid

Spain's Banco Bilbao Vizcaya reported record annual profits yesterday despite financial turmoil in Latin America, where it operates a large banking franchise, and said it was in the market for a merger.

"We are not going to be hurried [into a merger] but we have always defended the theory of mergers because we believe that size is important." said Emilio Ybarra, BBV chairman. He added that BBV had a "wide range of possibilities". but declined to say whether he had domestic mergers or crossborder alliances in mind.

Speculation over the group's

future strategy has heightened

since rival Banco Santander

unveiled a £30bn (\$34bn)

merger last month with Banco

Central Hispano. Spain's a share swap alliance with fourth-ranked bank, which will another large European bank.

cial institutions in the euro-Mr Ybarra denied that the

merger plans announced yesterday by French banks Société Générale and Paribas had narrowed BBV's options. There are still and will contimue to be marriage partners, although we are under no obligation to get married." The BBV chairman also said

there was "absolutely no truth" to market speculation that he was seeking a merger with Argentaria, the fourthranked domestic bank which was fully privatised last year. However, BBV's 1998 results, which were ahead of forecasts. show that it is in a clear posi-

tion further to consolidate the

Spanish banking sector. It is

also well placed to implement

create one of the largest finan- BBV lifted its net attributable income by 25.1 per cent to Pta163.6bn (\$1.1bn), overtaking Banco Santander - which last week reported 1998 net profits of Pta142.1bn - and setting a new record for annual income by a Spanish bank. It was the fourth consecutive year that BBV had raised its

> bottom line by more than 20 per cent Mr Ybarra forecasi "very ambitious and achievable results for 1999 which would

be broadly in line with 1998. Last year's profits figure came in spite of provisioning of Pta287bn, against Pta184bn in 1997. Provisions in 1998 included extraordinary charges of Pta172bn, of which



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off wholly goodwill arising from acquisitions in Brazil.

Pta69bn was allocated to write

Televicentro agrees debt restructuring

Televicentro, the holding company of Grupo Televisa. Mexico's largest broadcaster. announced yesterday it had agreed with creditor banks reducing its liabilities by

early trading on news of the agreement, which was likely to end speculation that Emilio Azcárraga Jean, Televisa chairman, would be forced to

NCI plans

offering

this year

NCJ, the California

"information appliance" software group, plans an initial

public offering this year, pro-

vided market conditions for

internet-related technology

stocks remain favourable,

said Michael Kertzman, chief

Mr Kertzman, who joined

the group three months ago

from Sybase, the database

company, as president and

chief executive, was in Lon-

don negotiating deals for

NCI's set-top box software

which enables cable opera-

tors to offer subscribers

internet access and other

Earlier this month NTL,

the third-largest UK cable

television group, said it was

launching an internet TV

service using NCI's software

NCI was set up in 1996

with backing from Oracle,

the database and business

software group, to develop

software for the next genera-

tion of information appli-

ances. The company has

spent over \$100m developing

Shareholders include Ora-

cle, Netscape, Acer America,

NEC, Nintendo, Sega and

Sony and most of NCI's 280

employees. NCI has yet to

pick financial advisers for its

flotation.

its eNavigator software.

on analogue set-top boxes.

interactive services.

By Paul Taylor

executive.

sell part of his Televicentro holdings to a strategic partner to pay off debts.

with creditors to capitalise \$213m of Televicentro's debt and transfer it to them in on the restructuring of trust. Analysts said this \$1.27bn of debt, thereby would temporarily weaken his control, but he has a four-year option to repur-Televisa's shares surged in chase the shares at a premium to the initial capitalisation price.

Another \$290m of debt Televicentro subsidiary,

A jets stands in the harsh sunlight of São José dos

Campos, home base of Embraer, one of the world's

most successful regional avi-

ation companies. Painted in

the livery of some of the fast-

est-growing airlines in North America and Europe, Embraer's elegant jets

should ensure that the com-

pany can cruise comfortably

above Brazil's economic

The devaluation of the

Real, which has lost over

40 per cent of its value since

January 18, should belp pri-

vately owned Embraer.

which has almost all its rev-

enues in dollars but adds

half the value of its sircraft

locally, in Reals. But Mauri-

cio Botelho, chief executive,

says Embraer also stands to

suffer from devaluation and from Brazil's diminished

international stature:

"Devaluation hit the credi-

bility of the country and this

makes it harder to sell air-

Access to capital, a major

problem for many Brazilian

companies, has become more

difficult as interest rates rue

at home and abroad. Financ-

ing plans Embraer devised

to help buyers to pay for its

aircraft are becoming more

difficult to arrange. Imported

parts become more expen-

Like most Brazilian com-

sive in Reals.

turmoil.

craft."

a share repurchase agree-Instead, he struck a deal

ment due to mature beginning in 2001. Alameda's capital stock would be sold to a Televisa subsidiary for \$230m, the company said. This would also be applied directly to debt reduction, it said. The remaining \$533m in

liabilitles would be rolled over into new Televicentro debt, with maturities of belonging to an indebted three to five years. The debt would be backed by Televi-

John Barham and Richard Lapper examine how the Real's

devaluation has affected Embraer, the Brazilian aviation group

row of gleaming new panies, Embraer's debt is Saab Aerospace is a fre-

manageable, but devaluation has still increased the cost of

servicing its \$370m net exter-

nal debt. And devaluation

makes it harder to find fresh

capital to develop new air-

craft, such as a planned 70-

Access to capital,

a big problem for

many Brazillan

companies, has

interest rates rise

to 90-seat jet airliner which.

Mr Botelho says, will cost

He says: "In the very short

term, there will be an advan-

tage from [devaluation], but

I do not know about the

medium to long term. We

are paying higher taxes and

paying significantly more for

loans and this will impact on

prices." Instability makes "it

very difficult to decide the

cost of something that will

be delivered in three years".

The company has shelved

plans to raise equity through

an international share offer.

However, it is still looking

for a "strategic ally" to take

a stake in the company.

about \$500m to develop.

become more

difficult as

released by the unwinding of and interest payable at maturity.

As well as acquiring Alameda, whose sole assets are 4.19 per cent of Televisa shares and net operating losses of \$530m. Televisa said it would also launch a \$50m share repurchase programme and establish a stock option plan for execu-

Media analysts welcomed the agreement, saying it was crisis. not dilutive of Televisa's shares. It would also free Mr

Aircraft maker is rocked by currency turbulence

quently mentioned name.

This partner would share

development costs, give

Embraer added marketing

"clout" in external markets,

and improve its access to the international financial sys-

tem. Embraer's net indebted-

ness of 99 per cent of share-

holders' equity in September

1998 was high by Brazilian

Brazil's economic crisis

has cast a shadow over a

company which emerged

from virtual insolvency as a

state-owned company four

years ago to become a signif-

cant force in a competitive

Two Brazilian state pen-

ston funds and Banco Boz-

ano Simonsen, a leading banking and industrial

group, bought 89 per cent of

Embraer from the govern-

ment in December 1994. Mr

Botelho, a top Bozano

Simonsen executive, turned

the company around by

hacking at costs, raising pro-

ductivity six-fold, selling

more aircraft and virtually

betting the company on a

new product, the ERJ-145, a

50-seat jet designed for the

While former giants such

as Fokker fell by the way-

side, Embraer grew to

become the fourth biggest

aircraft-maker in the world,

claiming 45 per cent of the

regional aviation market.

international market.

grip of his creditors, which and Chase Manhattan Bank he has been in since he had sold their stakes rather inherited the company and its debts at the age of 29 on his father's death

in 1997. Televisa had planned a secondary share offering to repay bridge loans from US banks, but its ambitions were thwarted last year by financial-market turmoil in the wake of the Asian

Last November, Mr Azcár-

An Embraer ERJ-145 of the Continental Express fleet

craft market. Analysts

expect 1996 revenues of more

than \$1bn and return on

Mr Botelho says: "The con-

cept of a regional jet was a

breakthrough in the indus-

try." Until the early 1990s

most airlines used turbo-

prop aircraft on abort routes.

Embraer - and Canada's

Bombardier, its main com-

petitor - disproved that.

Embraer now has \$4.5bn in

firm orders for its aircraft

Canada has filed a com-

plaint on Bombardier's

behalf at the World Trade

Organisation, claiming that

plus \$4.5bn in options.

international regional jet air- Brazil's government subsid-

equity above 30 per cent.

Grupo Alameda, was centro stock, with principal Azcarraga Jean from the US creditors Goldman Sachs had sold their stakes rather than take part in the restructuring

> At that time, Mr Azcárraga Jean said Televicentro's main Mexican creditors were local banks Banamex, Ban comer and Inbursa, the latter having bought \$70m of Televicentro-related debt from Goldman Sachs. Santander Investment, the USbased Spanish bank, was leading international credi-

NEWS DIGEST

PRARMACEUTICALS

Warner-Lambert names new chief without delay

Warner-Lambert surprised Wall Street with its timing of a change at the top yesterday, putting Dutch-born Lodewijk de Vink at the helm of the US pharmaceuticals and consumer products group."

The switch came as Melvin Goodes, chairman and chief executive since 1991, said he would stand down at the end of April, shortly after his 64th birthday and a year before the company's normal retirement age. Though the timing was a surprise, the identity of Mr

Goodes' successor was not. Mr de Vink, who had been a senior executive at rival Schering-Plough until 1988, has been Warner-Lambert's president and chief operating officer for eight years.

Mr de Vink, who became an American national in 1991, Inherits a company which is in far better health than it had been during much of Mr Goodes' tenure. Patent expiries on some of its biggest drugs and slower growth in consumer products had left it lagging its industry. However, two new blockbuster drugs have reignited the group's growth and share price in the past two years, and Mr de-Vink, 53, said his ambition was to push it into the industry's top league. Richard Waters, New York

HEALTH INSURANCE

Aetna ahead 29% in term

Aetns, the largest US health insurer, yesterday recorded a 29 per cent increase in fourth-quarter operating earnings to \$184.5m, as it continued to recover after the initial difficulties integrating its 1996 acquisition of US Healthcare.

Aetna US Healthcare showed a 40 per cent increase in operating earnings, excluding unusual items, from \$87.6m to \$122.6m. Astna's retirement services division, which covers pension fund management, also saw a strong increase, from \$42.6m to \$50.4m. Aetha international, the vehicle for the company's aggressive strategy of investing in general insurance and other financial services groups in developing economies, saw a 29 per cent increase in operating earnings, from \$35m to \$45m.

While the results were better than expected, Aetne's shares fell sharply in early trading, down almost 4 per cent or \$34 at \$888. John Authers, New York

AEROSPACE COMPONENTS

Eaton in \$1.7bn buy

Eston, the US industrial group, yesterday agreed to buy Aeroquip-Vickers, which makes aerospace and automotive components, for \$58 a share or a total of \$1.7bn - its largest acquisition to data. Eaton said it planned to issue stock later this year to generate about \$400m to help pay for the deal.

Eaton, which had 1998 sales of \$6bn, said it bought Aeroquip-Vickers because it wanted to become global leader in mobile hydraulica.

The deal should have no impact on Eston's 1999 earnings but is expected to add \$1 a share to profits in three to five years, Eaton said. Aeroquip-Vickers shares jumped \$20% to \$55% in early tracking, while Eaton shares were down \$% et.\$65%. Reuters, Cleveland

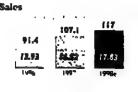
ARGENTINA DEAL CREATES BIGGEST IN THE SUPERMARKET SECTOR

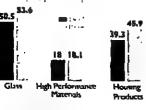
NTC offers SAINT-GOBAIN

1998 ESTIMATED EARNINGS 7.2 BILLION FRENCH FRANCS OR 1.1 BILLION EUROS (+27.8 %)

With a 9.2 % growth in sales and a 27.8 % increase in net income, the Saint-Gobain Group reached and even exceeded its forecasts of growth and profitability for

SALES: + 9.2 %





Sales amount to FRF 116,954 million (EUR 17,830 million), against FRF 107,830 million (EUR (6,324 million) for the same period in 1997, showing an increase of 9.2 %. Sales are split as

Fitnite: 37.7 % other European countries: 29.7 %. America and Asia: 32.6 %

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NET INCOME: + 27.8 %

Net income amounts to FRF 7190 millions (EUR 1,096 million) against FRF 5,623 million (EUR 858 million) in 1997, an increase of 27.3 % It includes profits on disposals of cross shareholdings made during the lear. Excluding profits on disposals, consolidated net income increased by 20.2 %.

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Califorpia start-up, is offering a short cut to companies eager for access to commercial quality internet Yesterday it launched in

the US and Europe products almed at internet service providers and smaller ("second tier") telecommunications operators. One product makes it possible to make a phone call over the internet from a personal computer; another routes calls over the internet between conven-

donal handsets. Calls over the internet are significantly cheaper than conventional long-distance and international calls. because of differences in pricing structures and the lower cost of switching equipment. The ability to offer internet telephony in addition to conventional internet access is attractive

to many service providers. NTC offers its customers 'turnkey" (ready to use) installations, saving substantially on the cost and time which would have to be invested in building an internet telephony system from

scratch. Where NTC differs from other internet telephony companies is in its use of the private global network owned by Infonet Services Corporation to carry its enstomers' traffic.

Quality, as a result, is equivalent to conventional calls, with none of the delays or distortion which mar internet telephony over the public switched network. Most of NTC's senior staff

come from Infonet, an international network owned by a group of national operators including KDD of Japan, Telia of Sweden and Telstra of Australia. Infonet has provided much of the seed capital to establish the company. NTC's investment bankers

are raising up to \$50m in a round of financing due for completion in the summer. NTC is now focusing on Europe rather than the US because it believes Europe's higher international call

Exxel and Promodès buy Tía chain for \$630m

By Ken Wern in Buence Aires

ises Embraer's export

finance. Brazil has filed a

counter-claim that Bombar

dier receives covert govern

ment aid. The WTO is expec

Mr Botelho's decision to

build the ERJ-145 saved

Embraer. He says deficutly

that "Embraer is the only

company below the equator

to control the full [aircraft

manufacturing] cycle from

conception to manufactur-

ing. We are here to stay.'

But the Real's collapse

makes it all the more urgent

to find a strategic partner

successor to the ERJ-145 will

without which devel

become even harder.

ted to rule in March.

Exxel, the Argentine private equity fund, and Promodés, the French retailer, are to form Argentina's biggest supermarket chain with the purchase of the privately owned Case Tis chain for **26**30m.

Tia's operations will be merged with those of Supermercados Norte, which the two groups aiready own, they said yesterday. The combined chain will have annual turnover of some \$3bn and 123 outlets with a total 254,000 sq m of sales space, Exxel said.

Exxel and Promodès aim is to invest a further \$600m in the combined chain over the next three years, opening about 60 stores. The sale of Tia has been

under negotiation for several months, with Exxel and Promodès long seen as the

likely buyers. However, the price tag has not been cut as a result

such as Wal-Mart of the US and Ahold of the Netherlands have entered the Argentine market in force in recent years, attracted by the region's highest per capita income and the localindustry's high degree of

Promodès entered the mar-ket last September, paying \$420m for 49 per cent of Norte, but leaving Exxel in management control.

absorbed by the bigger

street-corner grocers.

"Many of the world's top

Company. International retail chains

food retailing. control.

The wave of investment has produced a high level of modernisation and consolidation, with smaller chains

Sales growth has also come at the expense of traditional retailers, such as

supermarket groups are flighting over the Argentine turf," said Christopher

uncertainty unleasted by Eccleatone, head analyst Brazil's devaluation last at the Buenos Aires Trust

"It was a very underdeveloped market, but now many Argentine supermarkets are as modern as those in the US. Pressure on margins is bound to get worse,' Of the country's biggest

supermarket chains, only two - Coto and Patagonia fragmentation, especially in remain under Argentine

Coto has a strong grip on the underpopulated south, where vast distances and logistical problems have deterred the international chains.

Exxel operates a series of private equity funds, whose investors include big US institutional investors.

It suffered a setback last month when its efforts to buy branded foods group Molinos Rio de la Plata from grains multinational Bunge International were thwarted by a last-minute bid from

Rohm & Haas acquires Morton in \$4.6bn deal

tn New York

Rohm & Hass yesterday unveiled a \$4.65m acquisition that would make it the largest pure speciality chemicals company in the US.

The Philadelphia-based company said it had agreed to buy Morton International based in Chicago, whose products range from salt to speciality adhesives and materials for the semiconductor industry.

The acquisition comes against a difficult background for the speciality chemicals producers, as falling prices have squeezed margins and forced a round of cost-cutting.

However, Rohm & Haas has one of the better records on slicing its costs and a relatively unencumbered balance sheet, putting it in a sound position as the industry consolidates.

Morton's \$2.5bn of reveannual sales to \$6.5bn, making it the largest pure speciality company in a frag-mented industry, though still behind the speciality divisions of DuPont and Dow The two companies said

the combination would make them the biggest or secondbiggest producer in a range of chemicals. These include speciality adhesives for packaging, tape and labels; certain types of powdered coatings; and products for makers of semiconductors and circuit boards, where the enlarged company will derive \$1bn of its sales.

The deal would boost Rohm & Haas range of products and international reach. putting it in a stronger position to follow customers as they expanded globally, said Lawrence Wilson, chairman. The merger would produce

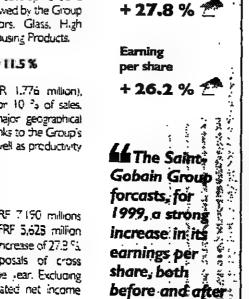
Morton's \$2.5bn of reverences will lift Rohm & Haas's in addition to the \$50m \$60m a year Rohm & Haas bas said it would cut by next year, the companies said. Under the terms of the deal, Rohm & Haas will pay

\$37% a share for Morton. two-thirds of it in cash and the remainder in stock. The stock portion is subject to a collar, with a maxi-

mum of around 1.33 shares, and a minimum of about 1.09, being offered for each Morton share. Rohm & Haas will also assume Morton's \$268m of net debt. The deal would boost

Rohm & Haas's debt-to-equlty ratio to 60 per cent, but was not expected to hurt its single-A credit rating, said Lawrence Wilson, chairman. Morton's stock jumped \$9% on the news to \$35%. while Rohm & Haas shares edged down \$% to \$30%.





capital gains.

Operating

Net income

+ 11.5 %

NEWS DIGEST

UTICALS

-Lambert names Hef without delay

THE SPAN-HARRICARY TO A

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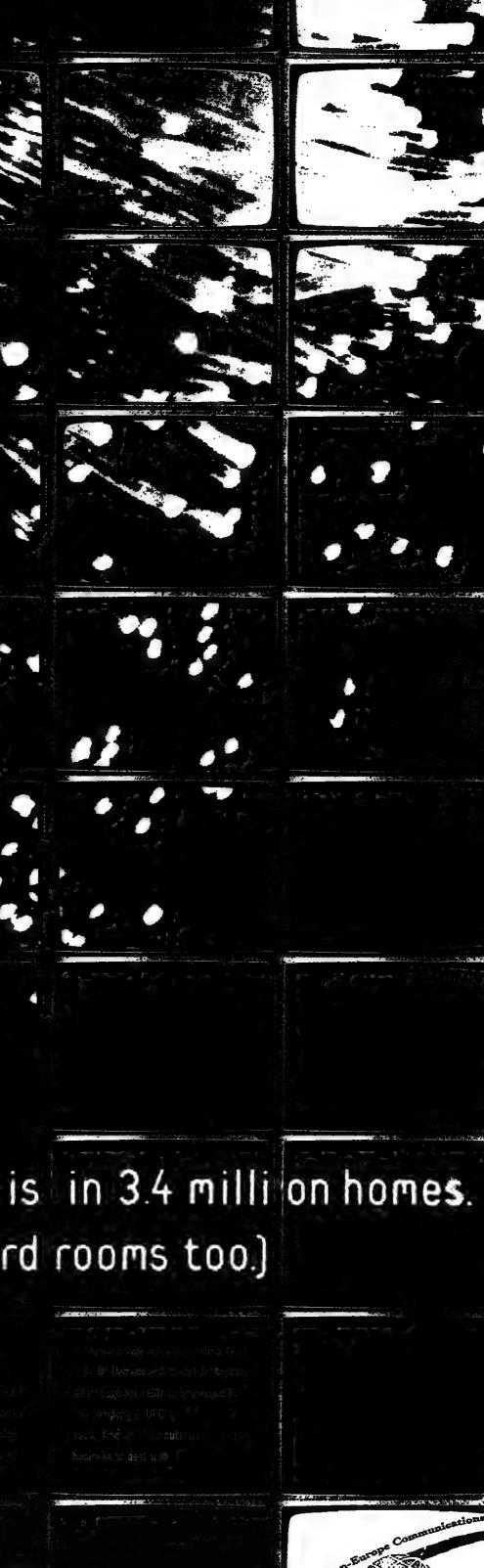
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modès or \$630m

6bn deal

The access point for Europe is in 3.4 milli on homes. (And quite a few board rooms too.)



MERGERS INTRODUCTION OF THE NEW EUROPEAN CURRENCY IS LEADING TO CLOSER LINKS BETWEEN FINANCIAL INSTITUTIONS

Consolidation in banking picks up speed

Editor, in London and Tony Barber in Frankfurt

Within a month of the birth of the euro, consolidation in European banking is gather-

Hot on the heels of last month's merger of Spain's Banco Santander and Banco Central Hispano to form BSCH comes the takeover by Société Générale of its

French neighbour, Paribas. in both cases, top managers said the new European currency had changed the rules of the game - and the general message that consolidation is happening contributed to a general rise in bank shares across Europe

With a combined market capitalisation of £30bn (\$34bn), the new French group suddenly reaches a size that enables it to play in such as BSCH, and to look down, in size terms, on such established European institutions as Deutsche Bank, Banco Bilbao Vizcaya and

But the SG Paribas merger also carries more specific implications for the shape of European financial services, because of the web of crossshareholdings and joint ventures the deal sets up.

Daniel Bouton, who will become vice-chairman and chief executive of the new group, said he was open to combinations with most European banks, but warned it was much too early to speculate on the form these links might take.

Much of the web involves French institutions, where the mechanics of the financial relationship are overlaid by the personal links that characterise the closed world of the Paris financial elite. In a central position

stands Axa. the French insurance giant built up by Claude Bébéar which will end up as the largest institutional shareholder in the the same league as banks new group, with 3.61 per cent. Axa also holds a stake in Banque Nationale de Paris, France's other leading commercial bank.

the picture for the privatisa- objects

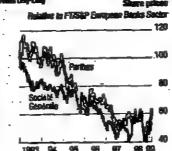
tion of Credit Lyonnais SG Paribas would still like to be a core shareholder, but in its enlarged form may be a less attractive proposition for Crédit Lyonnais manage ment. There will, at the least, be an operational link in Crédit Lyonnais' association with Paribas' consume

finance unit, Cetelem. But the ramifications spread wider. Europe's largest insurance group, Allianz of Germany, will end up in SG Paribas through the majority holding it acquired last year in the French insurer AGF. Allianz has no aspirations to become a bank, but it is keen to build up a global asset management business to comple ment its insurance activities

The French merger could where Paribas holds a stake in Banca Commerciale Itali iana while SocGen has a toehold in Unicredito. This could nudge BCI towards Unicredito, in preference to a proposed deal with Banca The deal could complicate di Roma to which BCI



1996*	Société Générale	Peding	SE Parkes
Total attels	6004.0kg	£275.0bo	£179bs
Shareholders' equity	€10.2bg	68.9bm	€19,1bs
That one capital	£10.70s	68.4km	€19.1kg
Gross Townsies	@10.0bm	65.7kg	£15.74m
Not income	£1.1bp	£1.0bm	42,1km
Return on equity	11.2%	11.8%	11.3%
Number of employees	57,000	21,000	78,000



Generation gap strengthens unlikely pairing

other mergers.

The quest for certainty

started at the top. Mr Lévy-

Lang, 61, has agreed to stand

down in 2002 as chairman

and chief executive of SG

Paribas, in favour of Mr Bou-

André Lévy-Lang's reluctance over mergers was overcome by an "almost perfect" fit and an absence of executive sparring

Late last year. André nate at the new SG Paribas, Lévy-Lang was distinctly scentical about mergers. "I think one tends always to and would - work. underestimate the cost and the effort in management time and sometimes to overestimate the benefits." the

Paribes chairman mused. The easy part is saving on costs." he said then in an interview with the Financial Times, "Maybe it's the toughest to accomplish from a human standpoint, but technically it's easy to identify the costs. The toughest nesses and the culture and

Lévy-Lang and Daniel Bouton, his Société Générale counterpart and heir-desigwere keen to stress that this was a merger that could -

"We share the same cuiture and the same values,"

He and Mr Lévy-Lang argued that SG and Paribas overlapped far less than any other putative domestic partner for either. Even in investment banking, the area of greatest overlap, SG's strength in derivatives was complemented by Parlbas' in fixed-income.

Nonetheless, job cuts will Yesterday, as reality said any mandatory redun- what business, hoping to

per cent of their 78,000 positions that has bedevilled tives closer to Mr Lavyworldwide staff who work outside France.

Within France, the banks said attrition and early retirement could achieve the necessary reduction.

They steered clear of naming any numerical targets

in investment banking SG's strength in derivatives was complemented by Parlbas' in fixed-income

The banks used the recent lew weeks of active negotiations - "building on old contacts". Mr Lévy-Lang said be necessary and the banks to determine who would run

Clamon and Bernard Müller ton, 48, who will be viceof Paribas - Will overses At the divisional level, Mr

ment banking, potentially the most contentious area, backed up by his SG coleague Xavier Debonneuil chairman and chief execuand Philippe Blavier of Paribas. Elsewhere, Paribas executives will head specialised The executive generation gap and Mr Bouton's willingfinancial services (Philippe Wahl), proprietary investness to bide his time may have reinforced the pairingments (Amaury de Seze) and

Duverger will head invest-

ing services and supervise Lang's age, a hard choice might have had to be made the retail banking business headed by Didier Alix for the They and four senior exec-Société Générale network and Bruno Flichy for Crédit ippe Citerne and Patrick du Nord, the business Pari has sold to SG in 1997. Duverger of SG, and Jean

Parihas' imminent reunic with Crédit du Nord gives another indication of how Mr Lévy-Lang's tune has

strategy of seeking "market segments in which we think we can have a leadership position", he specifically excluded "traditional retail banking". He said: "We would have to have very strong reasons to go back there." The chance to merge with SG apparently met the

off. With other prospective replaced hypothesis. Mr dancies would fall on the 45 forestall the jockeying for partners headed by execu-SG's Mr Citerne will head Byblos buy hastens

tive until then.

Lebanese bank mergers By James Schoffeld in Beirst

Consolidation of Lebanon's banking sector took a step forward yesterday, as Byblos Bank, one of the country's five biggest, bought Banque Liberaise pour le Commerce (BLC), creating a business with a market capitalisation

It also positions Byblos Bank to become the first Lebanese bank to push beyond its borders to tap the larve expatriate business communities in the United Arab Emirates. "We are very happy to increase our activities in Lebanon, to spread them out across the region and to increase our presence in the United Arab Emirntes," said Francois Bassil, Bybles Bank chairman and chief executive.

The new banking group is

directors.

Felix Jean Aboujaoude, control.

the country's largest bank in total assets valued at more than \$4.4bn.

The deal values BLC at an estimated \$220m. The Aboujaoude family, which owned 52.8 per cent of BLC, will sell its stake for \$109m, while other shareholders will be offered Byblos stock at a ratio of one for every seven BLC shares. Two Aboujaoude family members are expected to join the board of

The most significant in a banks. wave of recent acquisitions, the deal will give Byblos Bank a total of 82 branches

terms of shareholders' chairman and chief execuequity, market capitalisation tive of BLC, said shareholdand number of branches. It ers of both banks would benwill be slightly smaller than efit. "Size is becoming increasingly important for terms of assets, Banque du the banks in the region if Liban et d'Outre-Mer, with they wish to withstand competition from the global marketnlace *

> BLC, a relatively large bank for Lebanon, has a profitable and well capitalised business, with extensive retail banking services and a good portfolio of corporate

The deal will also be seen as part of the trend away from Lebanon's traditional network of small, familyowned and under-capitalised

Bassam Yammine, a senior official at Lebanon Invest. an investment bank, said in Lebanon, total deposits of BLC had been moving in the \$3.28tn and loans of \$1.37tn. direction of loosening family

the decline in crude oil and natural gas prices and as a result of production difficulties at the

start-up of Ekofisk II, in the Norwegian sector

Downstream profits were stable compared to

1997, the 27% increase recorded in Europe

being offset by the effect of lower refining

Chemical results were down slightly, resisting

well against the general reduction of margins, due to a 7% increase in volume of monomers

produced and to the quality of the products

The merger of PetroFina and Fina, Inc., its

American subsidiary, became effective on 5 August 1998. This simplifies the Group struc-

ure and enables growth to be achieved in a

On 1 December 1998, five shareholders is

PetroFina announced their intention to sell all

their PetroFina shares to Total (41% of the

share capital) in order to create the Total Fina

group, which will become the third largest

largest in the world. On 14 January 1999, the general meeting of Total shareholders

approved this transac ion as well as the princi-

ple of a public offer to exchange PetroFina shares on the basis of nine Total shares for two

PetroFina shares. This project was submitted

for approval to the European and American

pleted in the second quarter of 1999.

petroleum concern in Europe and the fifth

FLOTATION INVESTORS TO BE OFFERED 62% OF GROUP IN IPO

real estate (Michel Clair).

Neopost set to list in Paris with €600m tag

Neopost, Europe's largest maker of mailroom equipment, is to list on the Paris stock exchange later this month in an initial public offering that will value the company at about €600m

The IPO will see 62 per cent of Neopost floated. It is the latest in a line of French equity offerings expected this year, which includes a strong showing by private sector companies as well as government-sponsored priva-

disation deals. A price range of €18.50 to £23.50 was set yesterday for of FFr2.4bn (£366m, \$416m) the 17.8m Neopost shares in 1997 and earnings before being offered to French and international investors, valu-

ing the transaction at between €331m and €421m. Trading in the shares is due to start on the main market of the Paris bourse on February 18. Warburg

Dillon Read, the investment bank, is global co-ordinator ook control of Neopost in

other shareholders, is cut- cent annually over the next ting its stake in the company through the IPO from margin before interest and 69 per cent to 15 per cent. Management is to cut its stake from 21 per cent to

14 per cent, and Credit Agricole, the French bank, will reduce its ownership from 10 per cent to 8 per cent. Neopost, which claims the number two position in the . global market for mailing systems behind Pitney

Bowes of the US, was spun off by Alcatel, the French technology group, in 1992 in a leveraged buy-out. The company had net sales in 1997 and earnings before

interest and tax of FFr447m. In the nine months to October last year, sales reached FFr1.9bn, and Jean-Paul VIIlot, chairman and chief exec utive, said sales in fiscal 1998, which ended on Sunday, were expected to reach FFr2.6bn.

France accounts for 43 per cent of Neopost's revenues. BC Partners, the European the US for 38 per cent venture capital group that the UK for 13 per cent. the US for 38 per cent, and Mr Villot said the aim, was

1997 when it bought out to increase revenues by 5 per three years, with a targeted tax of 18-20 per cent of net

> Apart from its 70 senior managers, who will own the 14 per cent stake, the IPO includes a tranche of shares aimed at employees, and a stock option plan is to be put in place this year.

> • TNT Post Group, the acquisitive Dutch postal and express company, yesterday unveiled its first Portuguese takeover in the form of Traniato, a small parcel delivery service, writes Jereny Grav

The move comes after its purchase in December of Jet Services, the mid-sized French courier service for FFr2bn (€305m, \$346m). The Dutch group, which

began serving Portugal in 1995, said the nurchase of the 16-year-old Tranjato which TNT described as Portugal's leading express service - would extend its reach in the country. Terms of the deal were not

Stinnes makes offer for BTL

haulage company, yesterday inced plans to create Europe's largest transport and logistics group by allow us to capitalise on the launching a SKr3.3bn (\$423m) bid for BTL, the

wedish transport company. Shares in BTL jumped 36 per cent to SKr44.70 in Stockholm following the "friendly approach" by stinnes, a subsidiary of the Veha industrial group.

It signals the latest consolidation in the haulage and logistics sector, which gathered pace last month when Deptsche Post, the German post office, bid SFT1.5bn (\$1.06bn) for Danzas, the Swiss freight group.

Stimes already has close links with BTL, and 18 months ago became its largest shareholder by acquiring 35 per cent of the capital and 49.9 per cent of the voting

If RTL shareholders accept the full takeover bid - worth SKr45 a share - the enlarged group, will become the world's second largest sea freight company and the fourth largest bandler of air

RTL senior management broadly welcomed the with Stinnes would contrib-Stinnes approach, but to make a formal

recommendation before completing an internal study of

Nevertheless Hakan Larsson. BTL chief executive. said: "Full co-ordination will synergy effects more quickly and increase the potential to improve profitability even

Mr Larsson is expected to become head of the enlarged land-based group's operations, responsible for some 20,000 employees and annual sales of SKr30bn

The deal is expected to pave the way for a flotation of Stinnes by Veha, which has already signalled it could sell 49 per cent of the subsidiary through a institutional placing in the first half of this year.

BTL, meanwhile, yesterday reported pre-tax profits up from SKr440m in 1997 to SKr505m, on sales that rose from SKr18.1bn to SKr19.1bn in 1998. Earnings per share

rose from SKr3.30 to SKr3.55. The company said that logistics services had weakened in the fourth quarter following the economic turmoil in south-east Asia and Russia, but predicted that benefits from its partnership ute to increased profits this

NEWS DIGEST

AUTOMOTIVE INDUSTRIES

Fiat offered \$13bn to buy all of Volvo operations

Flat offered \$13bn to acquire the entire Volvo group, double the amount Ford is proposing to pay for the Swedish company's car division, italian bankers said yesterday. Although there have been widespread reports that the itsiian automotive group had offered Volvo only \$7bn for all its operations, First had put on the table a substantially higher bid, the bankers said.

The disclosure of the substantial First bid risks having repercussions on the agreed Ford-Volvo car deal, which has yet to be approved by Volvo shareholders. The bankers suggested Flat was still hoping Volvo shareholders might persuade the Swedish company to reconsider the

Ford deal, thus reviving Flat's chances in the bidding. Volvo, which is planning to put the Ford offer to shareholders next month, declined to comment on the value of Flat's outstive offer.

Senior Volvo officials confirmed that the company had been in talks with other automotive groups, but relterated that the proposed SKr50bn (56.4bn) disposal of the cal division would be recommended to shareholders. Some leading institutional investors in Sweden said vesterday Fiat should make a formal tender offer.

Paolo Fresco, new Flat chairman, said on Friday that Flat was interested in acquiring not just the Volvo car division but the entire Swedish group. But given the shareholder revolt that scuppered Volvo's planned merger with Renault of France in 1993, some fund managers warned a Flat bid would have little chance of succeeding unless the Italian group secured irrevocable support from large institutions before putting a cash offer to the Volvo board. Paul Betta, Milan, Tim Burt, Stockholm

OIL MERGER

Regulator calls for more data

Oil companies Total and Petrolina have withdrawn notification of their planned merger from the European Commisaion's antitrust authorities and will renotify the deal later, the Commission said yesterday. An official said it needed more data to assess the full impact of the acquisition and eliminate any competition concerns. Total of France confirmed that the Commission, which vets all mergers over a certain size, had asked for more information on the issue of storage, particularly in França. Emma Tucker, Brussels

'ELF AFFAIR'

FFr1.5bn 'embezzled'

At least FFr1.5bn (6229m, \$260m) was embezzied from Elf Agultaine, the French oil company, between 1989 and 1993, Philippe Jaffré, chairman, said yesterday. Judicial investigations into some of the company's dealings in this period have been going on for some years in what has become known as the "Elf affair", which involved alleged embezziement by former employees. David Owen, Paris

PetroFina: 1998 year results

of the North Sea.

margins in the US.

transatiantic context.



Petrofina's share of unaudited recurent (*) Group income for 1998 was 572.6 mi euros (BEF 23.1 billion), compared to 567.7 million euros (BEF 22.9 billion) in 1997. The unaudit-

ed Group income was 471.1 million euros (BEI 19.0 billion) compared to 547.8 million euros (BEF 22.1 billion) in 1997. The results were negatively affected by inventory write downs of BEF 8.3 billion after tax and by accelerated depreciation of BEF 2.4 billion, partly offset by pains on asset sales of BEF 3.3 billion, as well as

PetroFina's share of cash flow amounted to 1,403 million euros (BEF 56.6 billion) as opposed to 1,365.9 million euros (BEF 55.1 bil-lion) in 1997. During the year, in Europe, refinery through-

out increased by 6.6%, exceeding the previous record, and sales in the Fina network grew by 6.4%. These operating performances achieved in a macro-economic climate marked by a collapse of crude oil prices by some 33%, American natural gas, by a stabilisation in the dollar exchange rate, and by contrasting devel-Europe and a sharp fall in the US.

Upstream profits declined markedly following

(*) In order to provide a Defor missages of the operation performance of the Group in the present methot condition. PetroFire dicaded to present the recurrent results in 1998, and to restate the operation the security for 1998, and to restate the operation results for 1998, and to restate the operation results for 1997, on the basis of replacement cost, instead of



The entire press release is available at the Bardays Bank pic, 8 Angel Court, Throgmorton Street, London EC2R 7HT and on our web site http://www.fina.com

ion authorities, and should be com-

52 rue de l'Industrie, B-1040 Bruxelles

Notice to the Bondholders of Autolink Concessionaires (M6) plc Class B1 11.27 per cent. Subordinated Secured Bonds due 2022

nn to Clause 5(a) ei Schedule 4 Part Bof the Trust Deal dated 8th Mas, under which the above bonds were tested, notice in heitly given

The Fund B1 lawelment of the trace price of the Class B1 Bonds amounting to 90 per cent. of the principal amount of each Class B1 Bond falls due for wyment on 8th February, 1999. Payment shall be usude to the account field by Amedank at the flank of Scotland (art code 12-01-03, Account No. 00125020) by 11.00 and (London rime) on the 8th February, 1999 in reglement foods.

Autolink Concessionsires (M6) ple

CIB Central-European International Bank Ltd. - Budapest ----

as the Fiscal Agent of the Hoating Rate Bonds

due 1999 issued by the European Bank for

Reconstruction and Development,

informs the Bondholders that the Rate of Interest for the interest Period between 5 February 1999 and 5 August 1999 is 17,63% p.a., while the Coupon Amount for a Bond of face value of HUF 100,000 is **HUF 8,740**.



NOTICE OF EARLY REDEMPTION To the Holders of adustricholding Akric Yen 19,900,000,000 d Floaring Rate Notes due 2005 Izravocably guaranteed by The Republik of Austria (the "Notes").

NOTICE IS HEREBY GIVEN that pursuant to Condition 6.2 of the Teams and Conditions of the Motes all of the outstanding Notes will be redeemed by the Issuer on March 18th, 1999 (the "Redemption Date"). The Issuer will redeem the Notes at their Principal Amount together with interest accrued to the Redemption Date. Upon the Redemption Date Interest on the Notes shall cease to accrue and unmaking Coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect of them. The Notes are being redeamed pursuant to the provisions of the Agency Agreement detect as of December 18th, 1989 between the issuer and Citibenik, N.A.

Flocal Agent Clibank, N.A. 5 Cormolite Street CONTON EGAY OP Paying Agent Israile à Luxembou 62, route d'Esch L-2853 Luxembou

By: Clibrak, N.A. as Fiscal Agen Dated: February 2 1999

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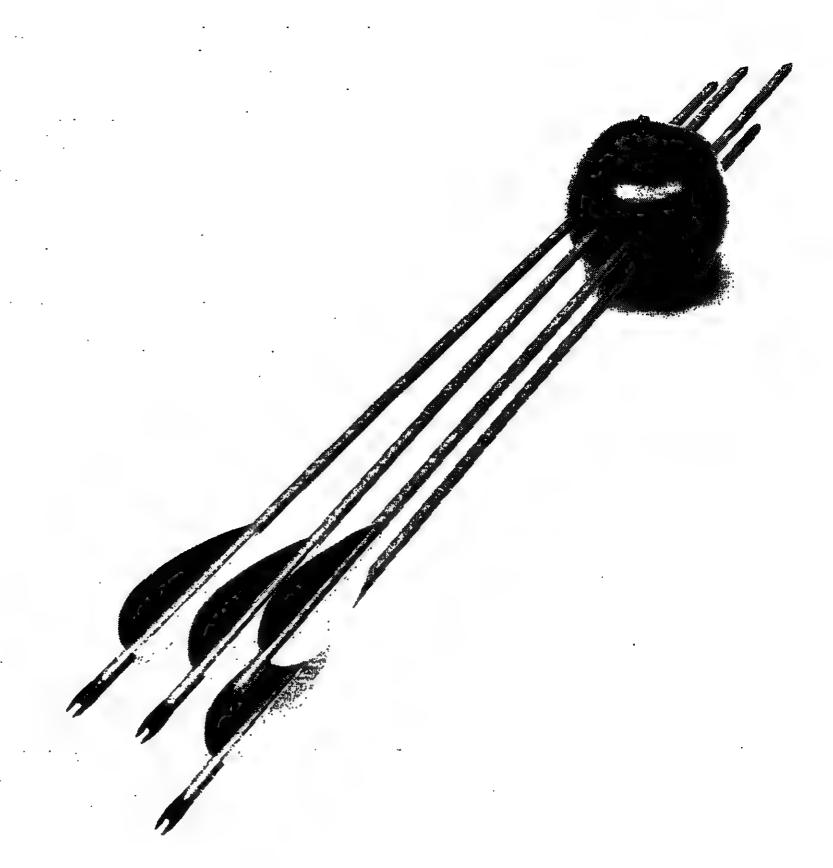
TEESTAN FIRMS ARE

nes makes

r for BTL

d \$13bn to buy

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Putting our clients first has had a remarkable effect. We have been ranked number one in European M&A in 1995, '96, '97 and '98 — in figures confirmed by Securities Data Corporation — advising on deals with a total value of over \$500bn.

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INDONESIA

NEWS DIGEST

Rise in tariffs gives boost

to telecoms industry

Telekomunikasi indonesia (Telkom) and its foreign

But on Friday it appeared it had received at least ti

at an exchange rate of Rp8,000 to the dollar.

Index and are listed in New York as well.

New investors for VSIP

foreign investments into the country generally.

cal, New Toyo International and Unza Group of

Vietnem Singapore Industrial Park attracted 11 fresh

investment projects worth US\$85m in 1998 despite falling

VSIP said yesterday that the new investors included

nippon Ink & Chemicals, Fraser & Neave, Super Coffeemb, Gold Roast Food Industry, Star Chemical, Sunlight Electri-

The company said it had 33 confirmed investment pro-

VSIP, located about 17km north of Ho Chi Minh City in

jects worth \$380m since its groundbreaking in May 1996.

Binh Duong province, said it would start the construction

of the second phase spanning some 190 hectures in dif-

ferent sub-phases. The first phase of 124 hectures was completed in late 1998.

It said the outlook was difficult but it would focus on

attracting companies from the US and Europe and selec-

pore consortium led by Sembawang Resources, a unit of

SemCorp industries, and Vietnamese state-owned

Becamex. Reuters, Singapore

VSIP is a joint venture between an eight-member Sings-

Japan Storage Battery, Nitto Denko Corporation, Dai-

Sander Thoenes, Jakarta

SINGAPORE

partners, which include US West and Cable and Wirek

won a last-minute boost to revenues for February after the

cated last week that it believed the government would not

agree to its request for an average increase of 24 per cent.

government approved an increase in tariffs. Telkom indi-

much, as rates for long-distance calls jumped 28.57 per cent, local calls went up 24.14 per cent and subscription rates rose between 9.7 and 17.6 per cent.

Telkom had said a 24 per increase would lift revenues

by 13 per cent. But the company had said it needed an increase of 42 per cent to compensate for the foreign exchange losses of \$400m in off-shore debt, if calculated

Telkom is majority-owned by the state, but its public shares weigh heavily on the the Jakarta Stock Exchange

ORISTII ASTA

The appointment last year

age the steelmaker.

hairman attacks Posco investment record

Yoo Sang-boo, chairman of Pohang Iron & Steel (Posco), has criticised his predecessor for making poor investments, totalling nearly \$4bn. under political pressure.

Mr Yoo warned that the investments could "pose obstacles for a smooth privatisation" of the world's second largest steel maker, Won1,120bn (\$953m) in 1998. The state is expected to sell

The remarks by Mr You related to Kim Mahn-je, who served as Posco chairman

for five years until March 1998 and expanded the steelmaker's operations in a quest to become the world's biggest producer.

Among the projects that Mr Yoo criticised were the construction of a new blast which made record profits of furnace and mini-mill facility in Korea, a mini-mill

telecommunications with a what was regarded as a leading stake in Shinsegi. a political vendetta.

cellular phone operator. Mr Yoo also regarded as "a of Mr Yoo, who joined Posco mistake" Posco's decision in 1997 to buy production facilities from debt-heavy Sammi Steel in a futile attempt by serving executives in manthe government to prevent its bankruptcy.

Mr Kim was the first outthe troubled facilities or operate them through vensider to head Posco and was appointed by Kim Young- tures with foreign or domessem, then Korean president, tic partners, said Mr Yoo. after he sacked Posco's It is already cutting pr It is already cutting pro-

its remaining 21.6 per cent Posco's entry into mobile founder, Park Tae-joon, in duction capacity from 26.5m cent for most other big Korstake in Posco this year. Posco's entry into mobile founder, Park Tae-joon, in duction capacity from 26.5m cent for most other big Korstake in Posco this year. fall in steel prices caused by

overcapacity. Analysts have praised in 1970, marked a return to Posco for its focus on core the company's tradition of businesses and for avoiding relying on a cadre of longthe reckless diversification that caused other Korean businesses to struggle under a mountain of debt.

It is one of Korea's most financially sound companies, with a debt-to-equity ratio of 85 per cent against 400 per

Analysts expect Posco' earnings performance to improve when privatisation is completed. "The state has used Posco to subsidise the Korean manufacturing sec tor by limiting price increases for steel. Posco will now be able to charge market prices for its products, which should improve profits," said Mr Hwang Kidoo, steel analyst for

Beijing to split state aircraft maker in two

By James Harding in Shanghai

China's huge state-owned aircraft manufacturer will be divided into two competitive corporate groups, as Beijing continues to break up industrial monopolies to boost aircraft maker to compete in

Aviation Industries of industry. China (Avic), which employs 500,000 people, will be engaged in the production and sale of military and civillan aircraft, the China Daily Business Weekly reported.

The break-up of Avic. restructuring of the state petroleum and chemicals industry last year, "reflected the central government's dancies, cutting its work-

clent competitive business environment", the report

The restructuring also reflects the need for fundamental changes at Avic for the struggling state-owned efficiency in the state sector. the international aerospace

Last year, Avic's ambitions of becoming a competidivided into two groups both tive commercial jet manufacturer were seriously dented when plans for joint-venture manufacturing with foreign partners of two commercial jet models were shelved because of weak demand which follows a similar from China's domestic air-

Avic has set out an aggres-



three years in an effort to fare payments. improve efficiency and boost profitability. One of the issues likely to hamper the sive programme of redun- proposed division of the company will be the han-

the total - over the next and responsibility for wel-

Avic will be broken into two distinct groups, with administrative functions

to the report.

The proposed division of the group, which has a wide range of component busihanded over to the State nesses including 100 large Commission of Science, and medium-sized enter-Technology and industry for prises, 30 research institutes

National Defence, according and seven state-funded laboratories, is under consideration by the State Council,

China's cabinet. Zhu Yuli, Avic president said: "The two groups will both compete and co-oper-

China groups' debt default rate rises

The credit squeeze in China ous strain on a wide range of which also owned Guang-businesses, leading to dong International Trust and and domestic corporate debt. (Gitic). Officials yesterday con-

southern province of Guangdong had failed to meet payments on about RMB500m (\$60m) of maturing debt.

The problems facing borrowers on domestic markets suggests that the liquidity pressures that have troubled Chinese companies with overseas exposure are taking

hold at home. The largest problem was with Maoming Acrylic Fibre, which was unable to repay principal on debt of more than RMB100m. The debt matured late last year,

All the groups that have run into difficulties repaying debts are owned by Guangappears to be putting a seri-dong provincial government, defaults on overseas debt Investment Corporation

The abrupt closure of firmed that six state-owned Gitic, which filed for bankof \$4.37bn predominantly to foreign lenders, has caused a dramatic deterioration in lenders' confidence in Chinese risk and, in particular, in the strength of support for enterprises backed by the

Guangdong government. Fujian International Trust and Investment Corporation (Fitic) has been forced to undertake a radical restructuring to meet foreign debt and working capital demands, as overseas loan agreements worth \$100m have been cancelled since the Gitic closure.

PEEDHONE REACTIVE TO A TOTAL

MOLING SERVICES STORES &

OUT HIS SECTION.

Japan life insurers break with tradition to fight back

Struggling sector aims to revive fortunes through mergers, stock market offerings and direct marketing, writes Naoko Nakamae

business environment and contemplates the introduc- products directly rather than tion of new legislation and via the traditional network an examination by the of agencies. Financial Supervisory ers are pointing the way for-

ward. rate tradition, Mitsul Life nies in the second-tier range. last year became the first Japanese mutual life insur- is close to saturation," says ance group to announce its Taiyo president, Masahiro intention to become a listed

life insurance sector groups. Several groups are also looking at keeping costs down by marketing their

The alliance between Agency, the sector's watch- Taiyo and Daido aims to take advantage of the for mer's strength in the retail business and the latter's in The recent tie-up between the small corporate business. two mid-size life insurers - With combined assets of Tokyo-based Taiyo Mutual about Y12,350bn - which and Osaka-based Daido would make the merged Mutual - highlights the group the fifth largest life pressures emerging in the insurer in Japan - the two Y190,000bn (\$1,634bn) sector, are considered the strongest and in a break with corpo- and best-capitalised compa-

"The life insurance market Yoshiike. "I doubt compa-

This announcement appears as a matter of record only.

s much of Japan's vast ance groups are mutual carve out new niches; that's stock and land prices, and ment mobility. Although seen steady growth since it why we thought it better to the appreciation of the yen. tie-up with a company with well established strengths in be a tough one for our indusother areas."

try, as many companies will The announcement was be writing off bad loans. Fishalled by analysts. "It's a cal 1999 should be a much

better stead for the next 50 years - it

will be easier to raise capital'

pretty good move," said Rob-ert Garone, non-bank finan-ual life insurers' health," Mr cials analyst at Dresdner

Kleinwort Benson. Taiyo and Daido have high solvency margins of 873 per cent and 1,017 per cent respectively, well above the industry average of 680 per nies will be able to survive cent. But they have also

This fiscal year-end will

Yoshiike said. Mr Yoshiike said he was also seriously considering transforming Taiyo's status from a mutual to a listed company when the government introduces legislation

sure requirements, I hope it ity," says Mr Yoshiike.

Traditional life insurers, such as Taiyo and Daido have also been weighed down by expensive cost structures. But as Big Bang deregulation gets under way, several foreign and domestic life insurers have started to market directly.

stand us in better stead for the next 50 years. It will be

easier to raise capital and by

meeting the higher disclo-

The format has proved a success for Orix Life, a small life insurance company which is part of the Orix Group, Japan's largest company.

nies will be able to survive cent. But they have also in the sector.

At present, almost all of with single business lines been plagued by non-per-lapan's largest life insurant many more. But it's hard to forming assets, plunging pany will enhance manage.

leasing company. Orix Life direct marketing together says that its direct with Daido as well," he marketing sales have says.

we've been a mutual company for the past 50 years or 1997. no, I believe listed status will

"Direct marketing is starting to take root in Japan," says Shinobu Shiraishi, president of Orix Life. "Obviously, advertising is our biggest cost, but we're . profit [under US SEC accounting rules] in the direct marketing business. And the demand isn't coming from any particular demographic - it's a pretty even distribution."

Ortx Life's interim report in September showed it had more than doubled its new individual life policies yearon-year.

Talyo's Mr Yoshiike is also enthusiastic about direct marketing. "We plan to try according to officials.

ERAMET ACQUIRES THE MANGANESE BUSINESS OF THE NORVEGIAN PRODUCER ELKEM

GROUPE ERAMET

The Eramet's Board of Directors at its meeting of January 28, 1999 presided by Yves Rambaud approved the acquisition of the manganese

Earnet and Elkern (Norway) have entered into an agreement which provides the sale to Eramet of Elkent's assets in Norway and the USA for a total amount equivalent to about FRF 1,135 million (© 173 million). The assets sold comprise fixed assets and the working

capital excluding customer receivables. The required complementary

working capital is about FRF 450 million (€ 68.6 million). The financing of this acquisition will be jointly provided by Eramet and Cogerna who will own respectively 60% and 40% of the new company created to hold the assets of Elkent's manganese business. An additional bank horrowing of about FRF 600 milion will be organized by Eramet.

Elken's manganese business, one of the world's main producers of manganese alloys, is in particular the world's number one producer of refined ferromanganese (medium carbon and low carbon

Its plants located in Norway (Sauda and Porsgrunn) and in the USA (Marletta, Ohio) employ about 1 100 people. It production capacity is close to 600,000 tpy of manganese alloys.

For the 9 months of 1998, sales reached NOK 2,193 million (about FRF 1,741 million) and operating profit was NOK 182 million (about FRF 144 million). For the whole year 1997, these amounts were respectively NOK 2,645 million and NOK 125 million.

This acculsition, in fine with the strategy announced by Braniet, will allow the Group to become the world's number one producer of manganese alloys and to offer a very comprehensive range of products for the steel industry. The plants of Elkem's manganese business, which benefit from competitive electricity cost, particularly in Norway, will be able to process manganese are from Comiting (a 61% affiliate of Eramet).

A major strengthening of Eramet's mangamese division The excellent complementarity, both in the commercial and the technical fields, between Ellem's manganese business and Comilog should allow an increase in performances and profitability of the Eramet's manganese division and should lead to an increase in the

This acquisition will have to be approved by the appropriate aushorities of Norway, the European Union and the USA.

■ Prospects for the 1998 results of the Eramet Group The Board of Directors reviewed the recent changes in the Group's markets and result estimates for 1998.

in each of the 3 divisions, the activity in the second half 1998 was weaker than in the first half, due in particular to the marked slowdown of the world steel production. In addition, the nickel price declined very strongly during the second half and the US dollar parity in French

The Group's consolidated turnover in 1998 is estimated at FRF 7,280 million (€ 1,110 million), a decrease of about 7% compared to that of 1997 (pro-forms FRF 7,817 million, @ 1,192 million). The final turnover will be published during the second week of

Thanks to the satisfactory results of the high speed steel and the manganese divisions and after taking into account the significant exceptional gains indicated on September 15, 1998 (FRF 43 million net, i.e. € 6.6 million in the first half and FRF 100 million net i.e. € 15.2 million in the second half), the Group's share of the net result for the whole year 1998 is estimated at FRF 250/270 million (€ 38.1/41.2 million) to be compared to FRF 389 million (€ 59.3 million) in 1997. Final results will be announced on April 7, 1999.

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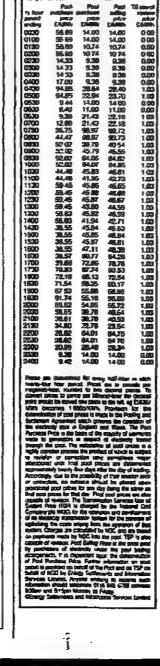
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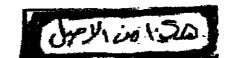


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COMMENT

Serco/Nomura

But with a market capitalisation of £850m (\$1.39bn), the

batch of state assets now on the auction block are beyond its

scope. To get control of The National Air Traffic Control

System or chunks of the London Underground would

require £1bn and more. If Serco were to try and finance as

well as manage NATS, it would turn itself into an air traffic

company, and would lose the flexibility to do other deals. Its

joint venture with Nomura International is therefore a sensi-

ble division of labour. Nomura drums up the finance, Serco

manages the project. There is also an equity kicker for

Serco, which stands to receive a share of the capital appreci-

ation of the assets, without having to lay out any initial

capital. Nomura does not usually need to sweeten its partners like this, but then having Serco on board me better chance of clinching deals. The only concern is that the two have to wait for the government to press the green

Nomura International mir-

rors what it is set up to do.

The vehicle will be owned by

Nomura but Serco will man-

age its operation. Similarly,

the purpose of the joint ven-

ture is for Nomura to fund

the acquisition of large state

assets, while Serco runs

them. Serco, which has

crunched 20 per cent a year

growth in earnings per share

for the past decade, has a good track record in improv

ing the management of state assets, be they prisons or the odd equity stake in them.

which bank take

By Charles Pretzlik

English China Clays, the UK industrial minerals and speciality chemicals group, vesterday said it had accepted a £756m (\$1.25bn) takeover bid from Imetal, a French rival. Imetal is offering 250p a share in cash, an 11 per cent increase on its original offer of 225p, which ECC dismissed as too low.

intention to launch a hostile lukewarm reception in the

tions two weeks ago. Imetal is now expected to offer a seat on its board to Dennis Rediker, ECC's chief execu- felt they deserved more."

Patrick Kron, chief executive of Imetal, said: "We would welcome Mr Rediker in our management team." Mr Rediker said: "From what I know today, I would like to join." However, the deal met a

control 80 per cent of cement

capacity along with Blue Cir-

Blue Circle partly wel-

comes the scramble for assats. It prefers to operate

in markets where multina-

tional rivals have a pres

Foreign owners work to

similar profit targets. Their

influence restricts the scope

for aggressive price cutting

while lifting the product

standards demanded by cus-

None of the big companies

Asia's economic problems

have improved the availabil-

ity of assets. As a result of

tionism, and strong con-

struction growth which dis-

couraged owners from

selling, targets were rare in

ing are bad for business.

groups began formal negotia- 241p. Nick Hatch, an analyst call 25p closing a wide mar- the enlarged group will ment of Justice, the Euroat Flemings, said: "I'm disappointed and I think there are one or two shareholders who Imetal shares rose 15.4 per

> cent in Paris vesterday. "The French market obviously thinks they're getting a original 225p offer "fails by a wide margin to reflect the

value of the company's busi-

group at 270p a share. Mr Rediker insisted Ime-

tal's raised offer was "a fair value". It represented a 56 per cent increase on the 160p at which ECC's shares languished immediately before Imetal declared its interest. ECC had said Imetal's ECC's shares had fallen from over 400p in 1985, underperforming the FTSE All-Share index by 75 per cent over the

gin." He had valued the become a low-cost producer in the industry, providing customers with high-quality service, based on a wider product offering, a diversified base of reserves and better levels of research and product '

He said he would consider the options for ECC's speciality chemicals division, Calgon, including its disposal.

The deal must receive reg-

dian competition authorities closely examined because it would reunite ECC's Georgia Kaolin with Imetal's Drybranch Kaolin. Both busi-

nesses were owned by the same group but ECC was prevented from buying them both by US regulator Imetal was advised by N M

Rothschild and SG Hambros. ECC was advised by Schro-

examined by the US Departever, Mr Hatch said: "I don't Inchcape sells Latin American bottling side

In a further step in the consolidation of the Coca-Cola hottler network. Embotelladora Arica of Chile is to acquire the Latin American bottling interests of Inchcape, the UK trading com-

Arica, which is quoted on

ting down small, high-cost

plants in western markets

and investing in big plants.

often by deep-water ports, in

Last year Blue Circle

announced it would close

cement works at Ipswich and Plymouth, at a cost of

Meanwhile, it spent more

than £700m on cement busi-

nesses in Malaysia, Singa-

Blue Circle is also with-

drawing from non-core bust-

nesses: for example, it is

the disposal of its Armitage

Shanks bathrooms division,

"If we want to grow our

business we have to look

outside the UK," says Keith

Orrell-Jones, chief executive.

"It is a mature market, and

construction as a percentage

Blue Circle has focused its

valued at some £250m.

expected to announce soon all agree that small domestic

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pore and the Philippines.

business. Analysts expect these to raise another £150m.

The UK group expects to make a cash distribution to details to be finalised once Arica has completed the financing arrangements for its acquisition. Analysts expect the distribution to be as

year. He expects demand of

Capacity utilisation is the

key level that cement com-

panies look at to try to esti-

mate profit. Mr Suozzo

believes Holderbank is will-

ing to wait until 2003 for

demand to pick up, reising

capacity utilitisation in

Thailand from about 54 to 85

In the short term, many

assets are being moth-balled.

Kilns are being closed, fur-

For Blue Circle, in com-

mon with the other interna-

tional groups, the eastward

three years. One building

materials analyst has cut his full-year earnings per share forecast for Blue Circle by ip

While three years might

be a long time for sharehold-

ers, it is a mere blink of an

eye for cement companies.

naces turned off.

to 27p as a result.

English China Clays

imetal calls it the "unilateral" approach; others would use the term "bear hug". Bither way, this unfriendly if not actively hostile technique certainly did the trick with English China Clays. The latter rebuffed a bid from Imetal at 225p a share, arguing it failed by a "wide margin" to value the company. ECC's definition of "wide margin" now seems quite narrow, since hostilities ceased at 250p.

Did the management simply buckle at the prospect of a drawn-out scrap which could have ended with the loss of their jobs? Probably not. At 250p, Imetal is giving away most of the value created by merging the businesses to ECC shareholders. That is a decent enough burial for a company whose shares have underperformed the market by 65 pe

cent over five years.

Electra sets 3i

EIT, a rival venture capilast published figure of 676p.

between 720p and 730p. Talks reached stalemate

3i is understood to be dis-

- it failed to secure the executives from Electra Fleming, the company which manages the trust. While 3i's initial approach was motivated by the strate-

not be put off buying Electra

as seems increasingly likely

assets without Electra Flem-

There was a point during the talks when it became clear 3i could not be confident of the support of the [Electra Fleming] execusaid. But he added the price would have to reflect that. "3i would not pay a strategic premium if there were no certainty of the management coming along,

Electra Fleming is a joint venture between EIT and Robert Fleming, with EIT's share last valued at 230.6m Remuneration is understood to be the principal sticking point for Electra Fleming managers. The latter enjoy co-investment schemes, whereas 3i has skew the rewards towards executives and away from

expansion is likely to dilute earnings for at least two or three years. One building tough conditions

Electra Investment Trust Investment Trust even if has set tough conditions for a resumption of stalled talks on a takeover by 31, insisting Most are looking at least 15 the venture capital group pays a premium to its net

talist, has stipulated any gic fit of the two busin revived talks must be as well as by financial conthat Mr Orrall-Jones believes | opened by 3i indicating a siderations, it is believed to price in terms of a premium think it could manage the no way that these countries to current net asset value. The latter would be as calcu- ing. lated by Electra, which has retained PwC to update the The figure has been estimated by BT Alex.Brown at

> last week when EIT turned down an indicative takeover offer by 3i, understood to be just under 700p, valuing the trust at some £1.2bn

> Electra also wants 3i to sign a standstill agreement, which would effectively stop 3i from launching a hostile bid. People close to 3i added a hostile bid was still

missive of the Electra valuation exercise because it has always argued that such already come up with its deal-by-deal arrangements own valuations on a company by company basis for

German business to Axa

Guardian RE agrees £3.3bn offer from Axa

Axa will make the proposed acquisition through Sun Life and Provincial

would enable Sun Life and Provincial to achieve critical mass in the consolidating UK and Irish insurance markets which should lead to significant efficiency

Lord Douro, chairman of Sun Life and Provincial,

The market gave the prodown 51p to 530p.

The buyer will offer 249p

holds a 72 per cent stake. company in the UK and the for each GRE share, worth Another offer from Royal & Pollowing the deal, Axa's acquisition will also put us stake will drop to 56 per in the third largest position. last night's close. GRE composite, also seems for general insurance in the shares closed 6%p lower at unlikely.

IIK. second position in 361p.

Sun Life and Provincial

and Provincial's share price Eureko, the alliance of seven European insurers that £972m in cash. tabled a cash offer of 385p by friday's deadline. However, the two sides still appear to be very far apart on condi-

Colonia, the French group's 1.66bn (\$964m) in cash. Axa is being advised iointly by Goldman Sachs

and DLJ International and AZZ Colonia by ABN Amro. Sun Life and Provincial is being advised by Dresdner Kleinwort Benson, while GRE is being advised jointly by Morgan Stanley and SC Hambros. The brokers to the offer are Warburg Dillon



Tel: +353 1 676 1184 Fax: =353 1 676 2125 email: chasb=indigo.ie or Tracey Endacott in London Tel: +44 171 873 4356 Fax: -44 171 873 4862 email: tracey.endacott@FT.com

FINANCIAL TIMES

Financial Times Surveys Life Sciences Monday March 15 For further information please contact: Justin Mafham in London Tel: +44 171 873 3760 Fax: +44 171 873 3062 email: justin.matham@FT.com FINANCIAL TIMES

المكذا من الاعل

and debt financing, organ- in its transformation from a diversified trading company Andrés Vicuña, Arica's the business which bottles ised by JP Morgan, the com-Mark Muliigan in Santiago to an international motor pany's adviser on the acquivice-president, said the com-Coke in central Chile and pany would finance the deal sition. "We're looking at distribution business. The Peru. It already has the fran-UK group sold its Russian through a \$340m rights issue various options," Mr Vicuña chises for the northern tip of bottling arm to Coca-Cola for which would double its capisaid, "with the idea of rais-Chile and most of Bolivia 251m (\$84m) in October, Last tal base. Coca-Cola, which ing perhaps another \$300m." and the deal will create the month its Asia-Pacific mar-The US investment bank has fourth largest bottling group holds 17 per cent of the keting side went to a private told Arica it is confident of shares has said it will subin Latin America. or group for £93m. The acquisition will give scribe and take up any Still to be sold are its Midshares left over. The sale by Inchcapa, Arica 96 per cent of Cocadie Rastern marketing wing. The rest of the price will which was advised by Mar-Cola drink sales in Bolivia, Mixing together a concoction full of eastern promise Lucy Smy examines how Blue Circle is following the industry trend to invest in the emerging markets of south-east Asia be dusty towers and firepower on south-east Asia because it believes growth stions of Blue Cocle's Chelson Meadow there will rebound strongly cement works in Plymouth in a few years. failed to protect employees Other big multinational against market forces. The cement groups have been plant will close with the loss playing the same game. In of 120 jobs at the end of the Philippines, for example, it is estimated that between In common with other them, Cemex of Mexico and multinational cement com-Holderbank of Switzerland panies Blue Circle is shut-



faitering construction output

But fierce competition for assets means there has been informal government protec- no fire sale of south-east "People are paying a very

m Selection φ... 5 mins to Dec 37

_ Yr to Nov 30 82.8

has changed that. Asian cement works.

likes the word "cartel", but south-east Asia during the year view. They are spendall agree that small domestic 1980s and early 1990s. The ing upwards of \$120 (273) a companies producing at a need for industrial groups to tonne of yearly capacity, loss with government back- raise cash to meet debts and when the market price of one London analyst.

tonne on one acquisition in the Philippines, but believes rivals may have spent \$150high price in south-east \$170 a tonne in other south-Asia, and not just on a three

will begin to start paying to be placed on wringing efficiencies out of the acquired demand is increasing over-Peter Snozzo, a cament analyst at Warburg Dillon

years ahead, when they believe their investments

that in Thailand there is a think we should in the region.

It is long wait, but one market where falling will be worthwhile. "There is will stay down. They will recover. However, he added: "We have spent as much as I

total capacity for cement

cement is \$45 a tonne," said business. This is tough in a Mr Orreil-Jones concedes that Blue Circle spent \$120 a canacity.

mins to Dec 31 1,535 Yr io Oct 31 64.7 ... Yr io Sept 30 5.97 (1,294) (62.4) (0.938)

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1 to Dec 31 ± 4,061 □ (2,637 □)

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— 28 wids to Nov 7 50.6 (40.8) (872) (-) (1.32) (0.038(-)) (0.115 (0.433-) (0.359) (3.2) (0.224) (17.9) (5.88) 0.543 2.46 0.102

By Andrew Bolger, Insurance Correspondent

The board of Guardian Royal Exchange, one of the UK's oldest insurance groups, yesterday recommended a cash and shares offer from Axa, the French insurer, that valued the company at £3.3bn

Axa said the acquisition

health insurance and first position in general insurance in the Republic of Ireland."

posed acquisition a cool reception, marking Sun Life and Provincial's shares

UK, second position in 361p. The sharp fall in Sun Life

could rekindle interest from

will pay a net £1.9bn for the UK and Irish parts of GRE. selling the company's overseas businesses to Ara for

North American busines

Sun Life and Provincial has also agreed to sell GRE's to Liberty Mutual, a US tions - particularly relating insurer, for \$1.47bn in cash. to businesses in the US. Axa will also sell sell GRE's

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EQUITIES

French bank takeover boosts bourses

EUROPEAN OVERVIEW

European stock markets started the week on a bright note as confirmation of a big French banking takeover

industry consolidation. Financial stocks led the broader markets higher as investors began picking out the next candidates for a

FTSE ENOC 100

tion activity. The robust mood was further strengthened by a strong opening on Wall

Street although that was melting away later. But the Brazilian Real strengthened turned the spotlight back on a little against the US dollar, time across Europe was Paribas rose 68.20 to 692.15 while speculation about the timing of an interest rate cut by the European Central Bank also drew buyers. The FTSE Eurotop 300

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********** stocks gained 11.28 to 1,035.12

out of the current surge.

Société Générale was tying up with Paribas. Though

also stronger on the view Bank shares rose 1.11 per that they would be forced to cent after confirmation that act now that a powerful com-European sens

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17.43 to 1,232.33 and the PTSE Eurotop 100 index 46.68 to 2.833.26. The FPSE ket took the view SocGen Eblor 100 index of euro-zone

Dealers said trading volgood, with cash-rich institutions not wanting to be left

billed as a merger, the marwas taking over its smaller partner, and its shares fell €5 to €153 after rising strongly in recent weeks.

BNP. which was jilted by Paribas in favour of SocGen and is seen as the most vuloperators, fell €2 to €78.

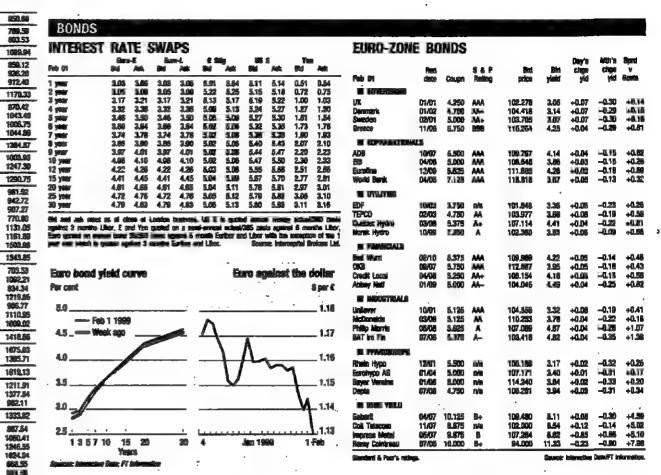
"To date, the international

banks have not been major participants in this consolidation wave: cross-border mega-mergers, creating pan-European multi-domestic banking groups of a new form and scale, have not vet taken place," noted Salomon Smith Barney in its latest strategy report.

Insurers were also under the spotlight following Axa-UAP's successful bid for Guardian Royal Exchange. Axa fell €1.20 to €126.60, while Allianz rose €8.50 to

SPOT FORWARD AGAINST THE EURO 37.1400 +0.3015 147 - 671 7 4367 +0.0006 391 - 420 321.144 +0.0620 915 - 373 28.756 -0.3130 522 - 580 8.5383 -0.0185 311 - 421 4.138 +0.0405 065 - 170 13384.63 +127.5200 906 - 966 26.1936 -0.1204 279 - 576 4.8271 -0.0772 745 - 796 8.8424 -0.0215 340 - 500 1.8901 -0.0025 340 - 101 8.8901 -0.0025 340 - 101 8.8901 -0.0025 340 - 101 \$6,3300 \$7,2644 7,4335 7,4414 319,978 322,9625 247,920 251,2113 8,5300 8,5675 4,1725 7.4478 326.8443 258.8400 -4.9 39.0519 -0.5 7.4747 -7.1 341 8744 -12.7 278.4052 -4.8 -0.4 -6.8 -17.8 -5.1 -0.5 -6.5 -11.9 7.4572 7.4572 321.585 249,419 8.5680 4.2494 26.3860 43.6700 8.9000 1.6236 42.4445 8.8250 1.6061 0.6666 8.8437 1.6066 -0.2 131 -2.4 8.8450 1.6019 0.6835 -0.0046 RM - N/T -0.1101 150 - 277 -0.0113 RM - 855 -0.113 P71 - 154 1 1393 2,3588 1,7258 11,5090 1,1395 2.2137 1.7027 11.3896 2.2214 1,7044 11.4063 -0.0982 MT2 - 175 -0.0402 M4 - 520 -0.0537 764 × 647 -103.06 736 - 006 -0.047 074 - 221 -1.8276 M2 - 200 1.7788 8.7850 47.9740 1 8263 8.8280 48.4397 1.7836 \-1.4 8.7758 -2.2 48.3289 -7.1 10340.76 -33.4 10210.90 4.5782 132.400 4.3299 2.1090 44.0967 4.2745 1.9275 1.9275 1.940.05 36.8000 41.5262 4.3350 4,6058 -0.047 074 - 221 -1.8270 082 - 201 -0.0198 084 - 402 -0.0272 777 - 94 -0.1437 958 - 820 -0.1437 958 - 820 -0.1437 958 - 820 -0.1437 958 - 820 -0.1437 958 - 820 -0.1437 958 - 820 -0.0544 164 180 -0.0545 765 187 -0.0565 771 - 187 -0.0565 771 - 187 -0.0565 771 - 187 2.0628 03.0290 4.2506 1.9083 6.6916 -0.5 -0.5 -8.1 1.8 -12.2 2.0067 44.6494 4.2779 1.9059 7.0366 48.0369 4.4042 1,9068

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Barcelona

Wednesday February 24

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FINANCIAL TIMES

Recommended Cash Offer

by

Goldman Sachs International

on behalf of Polar Motor Investments pic, a wholly owned subsidiary of

Polar Motor Group Limited

Dagenham Motors Group plc Goldman Sachs International ("Goldman Sachs") announces on behalf of Polar Motor Investments pic
("Polar"), a wholly owned subsidiary of Polar Motor Group Limited ("PMG") that by means of this
advertisement and a formal offer document dated and posted on 1 February 1999 ("the Offer Document"),
Goldman Sachs is maiding a recommended offer ("the Offer") on behalf of Polar for all the ordinary share

capital of Degenham Motors Group pic ("Degenham"). Terms defined in the Offer Document have the same The Offer is 190p in cash for each Dagenham Share together with a loan note sitemative.

The full terms and conditions of the Offer (including details of how the Offer may be accepted and elections made for the loan note alternative) are set out in the Offer Document and Form of Acceptance. This advertisement alone does not constitute and must not be construed as an offer. Degenham Motors Shareholders who accept the Offer may rely only on the Offer Document and Form of Acceptance for all the ms and conditions of the Offer.

The Offer is, by means of this advertisement, extended to all persons to whom the Offer Document may not be despatched who hold, or who are entitled to have allotted to them, Dagenham Motors Shares. Such persons are informed that copies of the Offer Document and Form of Acceptance are available for collection from IRG ptc, Balfour House, 390/398 High Road, liford, Essax IG1 1BR. The Offer which is being made by meens of the Offer Document and this advertisement, will be open for acceptance until 3:00 pm on 22 February 1999 (or such later time(s) and/or date(s) as Polar, subject to the

The Offer, including the loan note alternative, is not being made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or through any facilities of a national securities exchange of, the United States nor is it being made in or into Canada, Australia or Japan. Neither the Offer Document nor the Form of Acceptance may be mailed or otherwise clashributed or sent in or into the United States, Canada, Australia or Japan. This advertisement is not being published or otherwise distributed or sent in or into the United States, Canada, Australia or Japan and persons reading this advertisement, (including custodians, trustees, and nominees) must not distribute or send this advertisement, the Offer Document or the Form of Acceptance (nor any related document(s) in, into or from the United States, Canada, Australia or Japan nor use the United Sta

This advertisement is published on behalf of Polar, Jardine International Motor Holdings Limited and Ford Motor Company Limited and has been approved by Goldman Sachs, which is regulated in the UK by The Securities and Futures Authority Limited, solely for the purposes of Section 57 of the Financial Services

Goldman Sachs is acting exclusively for Polar and PMG and no one else in connection with the Offer and will not be responsible to anyone other than Polar and PMG for providing the protections afforded to customers of Goldman Sachs or for giving advice in relation to the Offer.

The Directors of Polar, Jardine International Motor Holdings Limited and Ford Motor Company Limited accept responsibility for the information contained in this adventisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this ment is in accordance with the facts and does not omit anything likely to affect the import of such

Kookmin Bank Floating Rate Notes due 1999

novisions of the Notes, notice is bereby given that the Rate of aterest for the three month period ending 29th April 1999 has been fixed at 7.0625% per

norm. The interest accruing for such three month period will be HKS 17,414.40 per HKS 1,000,000.

The First National Bank of Chicago 2nd February 1999

Agent Bank.

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Kingdom of Sweden TL300,000,000,000 variable rate notes due 2004

Notice is hereby given that for the interest period 2 February 1999 to 2 August 1999 the not will carry an interest rate of 3.03% per annum. Interest payable on 2 August 1999 will nount to 171.73,750 per 171.5.000.000 note and TTL757,500 per ITL50,000,000

Global Agency and Trust Service Criticals, N.A., London 2 February 1999 CITIBANCO Residential Property Securities No.4 PLC

£290,000,000 £180,000,000

RPS

Class A1 Notes Class A2 Notes Mortgage Backed Floating Rate Notes due 2023

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 29th January 1999 to 30th April 1999, the Class A1 Notes and Class A2 Notes will carry an interest rate of 5.96594% and 6.04094% per annum respectively. The interest payable per £100,000 Note will be £52.64 for the Class A1 Notes and £1,506.10 for the Class A2 Notes.

GREENWICH NATWEST

"Market-making allows far

investors," Mr Lutter said.

enhance business

Ms Toda from Nomura dis-

become market-makers.

Only Goldman Sachs and

Merrill Lynch have joined

making is time-consuming

Noriko Takahashi, small-

cap analyst at Warburg Dil-

lon Read, added: "Because of

the inherent risk, WDR is

market-makers are Japanese

brokers, not western securi

Also, Japanese brokers,

which often lead-manage

IPOs, have more information

about companies and share-

The new risk distribution

has consequences for the

selection of the stocks cov-

Teruhi Fukano, analyst at

ING Barings, explained: "As

market-makers bear the risk

of holding the stocks before-

hand, brokers are very picky

stocks are included in the

system. Therefore, the com-

and selective about which

ered by the market makers.

bolder structures.

Mr Lutter said; "Market-

the new system so far.

and far more risky."

By Julie Hess In Tokyo

The Japanese Securities Dealers Association has introduced a controversial market-making system for a more opportunities for wider small number of OTC stocks. spreads and thus poorer end-While the JSDA hopes to prices, particularly for small improve liquidity in the OTC market, critics said the move was bad for clients and brokers and a step backwards for market liberalisation.

Although other markets uation. Market-makers beneare shifting from market- fit insofar as more trades making to electronic order systems, the JSDA reasoned that market-making would help activate the OTC market and ensure stabilised liquidity in stock trading.

Atsuko Toda, press officer at Nomura, the leading OTC market-maker, said: "As market-makers will take the risk of holding stocks themselves and will give prices on request, liquidity will increase. This will be advantageous for clients."

However, opinions differ not adopting the new system for the time being. The main on the relationship between trading systems and liquidity. A fund manager at a European bank said: "The problem of the lack in liquidity has more to do with a lack of interest in Japanese small caps than the choice of trading system."

Matthew Lutter, at Bridge Trading, agreed: "Liquidity is often poor, but this is a symptom of the investor's appetite for more risky smaller company shares, not the system of trading them." Mr Lutter also expected market volatility to increase

with the new system. A trader from a foreign institution felt the new system was probably being introduced more to benefit considered to have strong the market-maker than for a growth potential."

OTC trading |Axa raises €1.32bn for bid

~	
ınder	NEW ISSUES By Khozem Merchant
Japan	Axa, the French insurer, launched a £1.32bn convert- tible bond to help finance its takeover yesterday of the British composite insurer
potential increase in trading volume. The free setting of spreads will allow market-	Guardian Royal Exchange for about £3.8bn. Axa, and its holding com-

pany Finaxa, are regular issuers of convertible bonds. which are enjoying a revival lative changes. The Axa bonds are of 15year maturity, three times

the normal duration of agreed: "Spreads depend on supply and demand; they recent convertibles, and are should reflect the market sitconvertible to Axa shares at a premium of 29 per cent. Financial borrowers such as Axa are attracted to sub-Despite the obvious advanordinated convertible bonds because of beneficial treattages, most western security ment by credit rating agencompanies are reluctant to

> Bankers said the issue was 15 times oversubscribed and was priced to yield 50 basis points over the French OAT. Vauban Mobilisations Garanties, a French finance vehicle, launched a eurodenominated mortgagebacked security that bankers said was closely modelled on

cies, which regard them as

closer to equity than debt.

Serreser	Amount	Coupon	Price	Maturity	Fees %	Spread top	Book-runner
US DOLLARS							
Lehman Brothera Hidge Inc	806	8.625#	99,614R	Feb 2006	0.625R	+200(Feb05)	Lehman Brothers
Discover CMT 99-1. Afait	500	5.30#	99.29	Feb 2002	0.225	+65(6%Feb02)	Morgan Stanley DW
Norid Bankibi	250	5.00	99,433R	Nov 2005	0.30R	-	Berciays Capital
Westfaelische Hypo	160	5.04	100.00	Feb 2000	0.05	F4412N56	Deusche Bank
Swedish Export Credit	100	5.25	100,372R	Mer 2004	0.275H	+54(41/4Nov03)	ADC DAK
EUROSHI		•					
Axam(c)§	1.32bn	2.50(a)	100.00	Jan 2014	2.50	•	DLJ/Goldman/Paribas
Vauban MG(d)	380	4.00(6)	99.93R	Oct 2006	0.30R	+45(6%Oct06)	CDC/Dresdner K9
Bos Popolare di Bergamo(1)‡	200	(#1)	100.151R	Dec 2003	0.175R	-04974 1009	Warburg Differ Read BGL/Generale/HypoVB
HypoVereinsbank(g)	100	4.625	100.35R	Feb 2009	0,30R	+24(2,4781109)	DOT/ORIGINAL LINES AND
YEN							
Sumitomo Metal Inda+	10bn	3.00#	90.00	2015	0.55	-	Nomura International
E SWISS FRANCS	٠,	٠.					-
Pacific Life Funding	300	8.00	101.95	Mar 2007	2.825		Warburg Dillon Read
II WALETTIALIAN DOLLARII	· ~~:						•
•		4 5554	99.96	Feb 2002	1.00		Nomura International
NSW Treasury Corp÷	125	4,5570	· MA-sec	180 200E	. 1.00		
E WER SENTING DOLLARS	-			·			TD Securities
inter-American Dev Bank	500	5.75#(s)	99.09R 100.46	Apr 2004 Mar 2002	0,25R V.80	+1SIGHOTON)	RBC DS Global Morket
LB Schleswig-Holstein	100	5.50	100/49	MOT 2002	1.00	·	100 00 0000
GREEK DRACHMA				_ :	1		
HypoVersins Finance	200n	5.50	98.875R	Fab 2004	0.25R	-	HypoVereinsbank

ress centes, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager, *Unisted. \$Convertible. \$Convertible. \$Convertible. \$Ploating-rate note. #Semi-annual coupon. R. floating-rate price; fees shows at re-offer level. a) Card Master Trust. Legal maturity. Aug 04. Av lite: 3.02 yrs. at) Class B: \$28m, 5.65%, 69.29, 3.1 yrs. b) Fungible with \$1bn. Plus 101 days accrued. d) Each \$185 bond convertible into one Axa ord share. Redemption price: 230.88%. Greenshoe. 15%, Calable from 1/1/05 subject to 125% hundle at accreted value. d) Secured on French residential mortgages. Spread re-French govt bonds. e) \$Spread restates to German govt bonds unless stated. f) Fungible with \$300m, plus 62 days accrued. ft) 3-mith Euribor +20bp. g) £300m leunched in January was increased to \$400m. i) Long 1st coupon. s) Short 1st coupon.

The bond is secured by French residential mortgages but unlike VMG's previous french franc-denominated issues, yesterday's bond was marketed outside France. It included for the first time a non-French bank, Dresdner Kleinwort

Benson, as co-lead arranger. along with CDC Marches.

French and Spanish banks have led the way in trying to emulate German Pfandbriefe. Their aim has been to make them a more pan-European asset class.

French and Spanish efforts

basis points over French OATs. Buyers were mainly from Germany, the Benelux countries, Italy, Spain and France. VMG is owned by are hindered by the lack of the Comptoir des Entrepre legislation at home and rec- neurs, which in turn is owned by Allianz's insurance subsidiary AGF.

NEWS DIGEST

pro loner of

BONDS FOR NON-PERFORMING LOANS

Malaysian agency issues first tranche of new series

The agency Malaysia set up to buy non-performing loans from the banking system issued M\$1,1054bn worth of fiveyear bonds on Friday in the first tranche of the second

Danaharta, the country's asset management agency. issued the bonds to unnamed financial institutions in consideration for non-performing loans. The bonds have a yield of 6.654 per cent and were priced at M\$71.301 for every M\$100 in face value. The securities will mature on March 31 2004.

In the first series, Danaharta issued M\$2.6014bn nominal value of five-year bonds, which will mature on December 31, 2003. The agency plans to issue up to M\$15bn in zero-coupon, redeemable, government-guaranteed bonds to help relieve Malaysia's banks of bad loans. Economists believe that bad loans will eventually account for about 30 per cent of all loans if calculated under international standards, which deem that a loan is non-performing after three months.

Malaysia has changed its formula, however, and determines that a loan is non-performing if it is unpaid for six months. The move is intended to encourage banks to lend In the hope of reviving the economy.

Economists are concerned, however, that the authorities are under-estimating the depth of the problem in a banking system that went into last year's Asian crisis with domestic debt standing at 170 per cent of gross domestic product. They also fear that pushing banks to lend against their will, especially amid the recession, could weaken the system further. Sheila McNulty, Kuala Lumpur

CREDIT RATINGS

S&P strengthens Telekurs link

Standard & Poor's, the credit rating agency, yesterday announced an alliance with Telekurs Financial, a Swiss provider of financial data, that will see both companies share data, sell and market each other's services and develop new products.

S&P and Telekurs already co-operate in the US market, where they have a cross-marketing relationship for the International Securities Identification Directory.

The two companies said the new alliance would be able to provide original information on nearly 2.7m financial

Standard & Poor's is to sell pricing and corporate action data in North and South America for Telekura Financial, while the Zurich-based company will sall S&P's dividend record and global settlement service products in Europe. Vincent Boland

Comments and press releases about international companies and capital markets coverage can be sent by e-mail to international.companies@ft.com

INTERNATIONAL BONDS

Treasuries tumble on economic data

BENCHMARK BONDS By John Labate in New York and Arkady Ostrovsky in London

Fresh signs of strength in the US economy and the reluctance of the European Central Bank to cut euro-

zone interest rates sent prices tumbling yesterday. US Treasuries fell on stronger than expected data panies affected now are all from the National Association of Purchasing Manage-

to 49.5 in January from a mittee meets today to decide revised 45.1 in December. indicating an expanding economy. This followed stronger than expected gross domestic product growth in the fourth quarter of 1998.

By early afternoon the 30-year US Treasury was down 1# to 101, sending the yield up to 5.188 per cent. Among shorter-term issues 10-year notes fell it to 99m, yielding 4.758 per cent and two-year notes lost % to 998, yielding 4.649 per cent. The ment, whose index jumped Federal Open Market Com- although less than 26,000

further weakened by comments from Wim Duisanberg, head of the European Central Bank, at the weekand. He said interest rates in Europe were at historic lows

and an additional cut, which

interest rate policy.

the markets have largely priced in, would not belp stimulate growth. The 10-year German bund future dropped 0.54 to close at 117.03. UK gilts also fell,

futures contracts traded on Liffe. The 10-year March gilt European markets were future fell 0.20 to 120.06. Deutsche Bank said it no longer thought the Bank of England would cut UK interest rates by half a percent-

age point, although it continued to forecast that the monetary policy committee would reduce rates by 25 basis points this week. The yield on 10-year Japa-

nese government bonds rose above 2 per cent on concern about the government's ability to revive the economy.

rue marke	t-maker	TOBIO	IOT H	Brow	ra bor	entrat.			٠,
WORLD	BOND	PRI	CES						
BENCHM	ARK G	OVER	NME	(T 8	ONOS				
Feh 1	Red Case	Conpen	Bid Price	Biti Yield	Day sho yinki	Yik chg yield	Month chy yld	Year chg yid	
Appiratio	03/01 06/08	8 750 8.750	107.4198 127 8008	4 80 5.04	+103	-0.01 +0.17	+0.09	-0.82 -0.83	
Ametria.	07/00 01/08	5.873 \$.000	103.9400 108.4300	1.00 3.67	+0.08 +0.06	+0.08 +0.07	-0.23 -0.16	-1.06 -1.26	
Belgium	01/00 03/08	4.000 5.750	100.9700 114 0300	2.95 1.80	+0.03 +9.04	+0.05	-0.15 -0.16	-1.06 -1.25	
Commis	12/06 05/08	5.000 5.000	100.3700 107.9000	4.78	+0.05 +0.04	+0.02 +0.01	+0.07 +0.04	-0.23 -0.44	
Deamark	11/00 11/07	9.000 7.000	108.4100 121.7900	1.41 , 4.00	+0 01	+0.03	-0.41 -0.22	-0.78 -1.42	
Febru	08/00 04:06	4 000 6.000	101 3870 116 41 20	2.94 3.85	+0.01	+0.07 +0.03	-0.22 -0.16	-0.70 -1.25	
France	07/00 16/05	4 000 7.750	101.4300 125.4900	2.95 1.43	+0.04 +0.05	+0.08 +0.06	-0.22 -0.14	-1.04 -1.33	
Servence .	10/08 04/29	8.500 5.500 4.000	138,1900 113,9300	2.74 4.63 2.97	+0.06 +0.04	+0.05	-0.14 -0.13	-1.33 -1.03	
Der Halley	10/05 07/08	6 500 4.750	101 3300 117 4400 108 0700	1.72	+0.05	+0.10 +0.06 +0.07	-0.19 -0.15	-1.31 -1,35	
Greece	01:25 63:00	9,800	115.3900 99.7987	9 95	+0 05	+0.00 -0.01	-0.22 -0.20	-1.02 -3.68	
Irched	10/06 10/01 05/08	6.500 6.000	117 0591 108 7400 116 5700	6 13 3.05 3.86	+0.05	+0.06	-0.86 -0.16 -0.14	-5.01 -1 80 -1,44	
Dudy	04'01 67403	4 500 4 500	700 1200 104 9100	3.00 3.30	+0.03	+0.03	-0.27 -0.14	-1,82 -1,88	
	95/06 11/27	5.000 6.500	108.6100	1.85	+0.03	+0.01	-0.10 -0.06	-1 83 -1.11	
Japan	12:00 12:03 06:08	6.900 4.100 1.500	111.5460 112.4640	0.65	+0.03	+0.09	-0.16 -0.06	-0.14 +0.02	
Historiania	03/15	2,700	98 1580 98 3140 107,4000	202 281 245	+0.06 +0.04	+0.24 +0.21 +0.06	+0.02	+0.19 +0.18 -1.00	,
New Zenional	07/09 02/01	5 250 8,000	111 3200	3.80	+0.05	+0.05	-0.15	-121 -247	
Norway	07-09	7.000	112,3891	E43	-0.04	-0.57	-0 04 -1,03	-1.31 +0.45	
Portugal	03:00	0.750 5.375	113.6500 102.6100	4 65 2.97	+0.02	-0.2ff -0.0ff	-0.89 -0.16	-0 53 -1.37	
Spain	04-06	5 \$75 6 750	111,3300	191 2.94	+0.02	+0.05	-0.16 -0.14	-1 42 -1 29	
Entelon	190-10 197-20 807-20	0 000 10.250 5 580	108 3297	3.87	+0.01	+0.03	-0.11	-1.43	
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10 YEAR	BEN	CHM	ARK S	PREA	DS			
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Austria	3.98	+0.31	-0.75	New Za	ciand	5.44	+1.77	+0.71
Belguum	3.99	+0.32	-0.74	Harvey	•	4,69	+1.82	-0.04
Corracto	4.53	+1.26	+0.30	Portego	•	3.97	+0.30	-0.76
Dempusik	4 03	+0.36	-070	50-101		3.97	+0.30	-0.76
Finland	385	+0.19	0.87	Sweden	1	3.99	+0.32	-0.74
France	3.75	+0.03	-0.98	Sentary	land	2.37	-1 30	-738
Сетталту	3.67	-	~1.06	UK		4.18	+0.51	-0.55
Greece	6.06	+2 39	+1.33	US		4.73	+1.05	_
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Argentina	02/27	9 750	BB	83,4215	11.77	-0.12	+0.97	+6.50
Brazil	05/27	10.125	8-	63,4854	16.05	-1.03	+0.85	+10.52
Medica	65.26	11,500	88	108,4766	10.71	-0.16	-0.18	+561
IN ARM							•	
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Presidentes	10.16	8,750	88 -	93,8650	9.47	-0.20	+0.03	+4.50
Theiland		7 750	888-	100.7521	7.62	-0.22	-0.68	+2.93
A MINERAL PROPERTY.	202	NET						
Leturon	07/00	9.125	BB-	104 4.33 8	5.87	-031	~1.05	+1.27
South Africa	10/06	B.375	BB+	95,0980	9.09	-1.07	-0.02	+4.43
Turkey	09.07	10.000	8	89.8985	11.91	+0.23	-0.73	•7.27
A STATE OF				•				
Argentina.	33.23	5.750	BB	69.8750	0.10	-0.22	+0.28	+4.07
Brazili Brazili	04:14	5.000	8-	56,1250	14.80	-0.96	+0.81	+5 96
Mexico	1219	8.250	618	76,7500	888	-0.18	+0.10	43.74
Venezuela	03:20	6.750	B+	65 ZSC0	1102	-0.08	+0.61	+8.05
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Her	Open 113,28	Sett price 112.94	Change -0.30	High 113,28	Low 112,89	Est. vol. 27,263	Open Int. 91,440	Pec Sell Ry Tel	07/02 06/03	7.25 7.00	M- A-
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iter B. Harrison		102.32	-0.13	. 4 894 744	- 	0	1989	No more	-		
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	Open	Sett price	Cranto	High	Low	Est. vol.	Open Ist.	Proc Indicas		JUYU! Man	Day's
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ŲTI	-	117.62	-	-	-	-	1	1 Up to 5 years		22.80	0.00
ж								2 5-10 years (11 3 10-15 years (1	1 1		-0.09 -0.27
	al 5 year si	LT FHIUME	S (LIFFE) EN	00.000 10	Othe of 100%			4 5-15 years (16 5 Over 15 years		78.68 37.88	-0.14 -0.38
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	AL UK GAT F			000 100ts	of 100%			5 yrs			ago
	Open	Close	Change	High	Low	Est. vol	Open int.	10 yrs	4.25 4,	23 6	.09
lder John	120.10 121.29	120.06 120.96	-0.20 -0.13	120,47 121,29	119.70 120.94	31677 150	106275 150	15 yrs 20 yrs	4.33 4,	29 6	.06 .05
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irika	LT FUTURES	CAL	LS	10001	or took	P675 -		FT Fixed fotores	t Indices	Jan 2	9 Jan 2
71C2 1950	0.95			May 20	Mar 0.39	Apr	May 0.73	Gort. Secs. (UK)	116.78	117.0	2 116.8
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	WINT ROOM				100%			Traces 10 ¹ 20c 1999 Traces 6pc 1999	10.35 5.3	4 101.4	636 –£17
	Open TOTAL CO	127-20	Change _0_12	High 139 02	Limi 197, 17	Est. vol.	Open Int.	Case 10/4pc 1999	9.96 &1	3 103.9	655 -271
lun:	120-01 127-11	127-20 127-05	-0-12 -0-12	128-02 127-11	127-17 127-04	356,177 19,480	903,933 111,244				
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apen		an ac=						Taxon Silver 2000	I pm ==		004 - 014
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tar	Cpan 128.70	Sett price 128.74	Change	High 128.96	LOW 128.70	1525	Open int.	Teess 8pc; 2000	7.58 4.7	0 105.E	833 - 004
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	07/0 D6/0			106.2062 103.1406	8.23 8.83	-0.01 -0.05	-0.03 -0.17	+5.23 +2.08		3	04/07 08/07	7.250 7.125	AAA AA-	111,9213		+0.02	+0.12 +0.30	+0.72
CWE	06/0			115,6162		-0.02	-0.06	+1.13	Onebec Citicaro F	D41	01/07 D2/04	7.000 6.312	A+ AA-	105.7531 94.0002	6.72	+0.03	+0.31 +0.27	+1.36
	CALS	: .	· · · · -	' : . · ·		<i>:</i> ;			E CE	. :	6204	0.812	141	04,0006	0.72	-0.00	TUE	79,14
GECC Banc One	05/0 08/0		AAA A	121,2411	5.52 1.12	-0.01 -0.02	-	+0.86 +5.62	Bayer L-		08/04	9.500	AM	119.3380		+0.01	+0.07	40.19
CNA Fin	01/1			98.1809	7.12	+0.10	-0.06	+2.03	Toronio (i Bali Cana		05/04 07/99	8.800 10.625	AA+ A+	114,5354	5.26 5.24	+0.01 +0.02	-0.66 +0.11	+0.12 +1.27
	THAZS							: • <u>•</u>	Deutsche		09/02	5.875	AA+	101.3661	5.45	+0.01	+4100	40.8
WMX Tech	04/9		888+	100.033	5.91	+0.05	-0.04	+1,80	E 8			. '						
Wall Mart Dayton Hed	05/0 05/2		AA A-	105,3898	4,94 5,45	-0.02	-0.05 -0.17	+4.94 +1,37	EB Dressinia		12/07 12/07	7 628	AAA AA-	119.7000 113 1691	4.85	-0.05 +0.01	-0.32 -0.34	+0.55 +7.52
			7	147.4500	0.40	-0.02	-10417	71,01	British Ga		03/00	7.730 7.625	· A+	101.9900	8.80 5.27	+0.01	-0.30	+0.66
THE AMERIC	2000°. OA/0	 7 7.14	N/A	112,3524	5.26	-0.02		+0.80	Abbey No		02/02	7.135	, AA	100.0138	4.28	-	-0.43	-0.33
SLMA	03/0	7.50	N/A	102,5680	5.06	-	+0.09	M9.76	ii 274									
Prima FPC8	02/1 08/0		N/A N/A	138.4084 122.4589	8.83 8.22	-0.02 -0.02	-0.08	+0.84	EB Brit Colum	nia.	01/08 02/02	3.750 3.250	AAA AA	100 5500 103 9358	3.25 1.91	-0.01 -0.01	-0.12 -0.07	+0.99 +0.30
		9 9-50	IN	122/1009	9-62	-0,446	7		Hydro-Oc	ebec	06/01	8.700	W	109.2775	2.50	-0.03	-0.08	+1.06
March Cook	MELJU . 02/0			101,5000	0.00				Qua Beck		09/01	1,711	n/a	99,6654	1.40	-0.02	-0.07	10.02
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RY SOME, THE	HERU & Popris Fil	ings. Yelde	-	mais.	larce		Desert is	de padi ol.	Gred Form	ier	08/02	4,750	7.	111.2177	1.40	+0.04	-0.11	+0.45
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Yarid insilo 5 yes 10 yes	4.29 4.25	4.29 4.23	6.28 6.09	irred † Med. 15	yra	Peb 1 J 4.45 4.32	4.44 4.29	fr ago 6.20 6.07	Mea Up Ove	lo 5 yra r 5 yra	40 7 D 3.00 2.08	L35 1 13.22 2	n 29 Yr 109 3	1.71 1.27	Feb 1 2.21 1.88	3.37 13.33	Jan 29 1 2.19 1.88	2.92 3.06
Yield indicates 10 yes 15 yes 20 yes	4.29 4.25 4.30 4.33	4.29 4.23 4.27 4.29	8.28 6.09 6.06 8.05	irred † Med. 15 High 15	yra yra	4.45 4.32 4.46	4.44 4.29	fr ago 6.20	Des Up Ove 5-1: Ove	to 5 yes r 5 yes i yes r 15 yes	3.00 2.08 2.73	LOS 1 13.22 2 9.81 1 16.88 2	n 29 Yr 109 3 208 3 111 11 208 3	1.71 1.27 1.36 1.23	Feb 1	Dur yra 3.37	Jan 29 1 2.19 1.88 1.85 1.90	2.92 3.06 3.04 3.06
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Yield indicate 5 yrs 10 yrs 15 yrs 20 yrs Coupon Band	4.20 4.25 4.30 4.33 F Methops 8%-1	4.28 4.23 4.27 4.29 (N.T.; Hylk	6.26 6.06 6.06 6.05 11% and pag	irred † Med. 15 High 15 ; t. † Flat yes	yra yra id. yid Ya	4.45 4.32 4.46 r to deta.	itin 29 Y 4,44 4,29 4,44	fr ago 6.20 6.07 6.20	Des Up Ove 5-1: Ove	to 5 yes r 5 yes i yes r 15 yes	3.00 2.08 2.13 1.65 2.12	LOS 1 13.22 2 9.81 1 16.88 2	n 29 Yr 109 3 208 3 111 11 208 3	1.71 1.27 1.36 1.23	2.21 1.88 1.85 1.85	3.37 13.33 9.86 16.98	Jan 29 1 2.19 1.88 1.85 1.90	2.92 3.06 3.04 3.06
First institution 5 yrs 10 yrs 15 yrs 20 yrs Coupen Band 1 FT Fixed 1	4,29 4,25 4,30 4,33 ir Machiner 196-1 internest Endice Fe	4.28 4.23 4.27 4.29 14.29 15.5; Hight	8.28 5.09 6.06 6.05 11% and gen 21 Jan 28	irred † Med. 15 High 15 t. † Plat yea	yra yra dd. ydd Yng Jan 26	4.45 4.22 4.46 r to dete.	4,44 4,29 4,44 Hight	6.20 6.20 6.07 6.20	Des Up Ove 5-1: Ove	to 5 yes r 5 yes i yes r 15 yes	3.00 2.08 2.13 1.65 2.12	lur yrs Ja 135 1322 2 9.81 16.88 3 11.67 2	n 29 Yr 109 3 208 3 111 11 208 3	1.71 1.27 1.36 1.23	2.21 1.88 1.85 1.85	3.37 13.33 9.86 16.98	Jan 29 1 2.19 1.88 1.85 1.90	2.92 3.06 3.04 3.06
Yield indicate 5 yrs 10 yrs 15 yrs 20 yrs Coupon Band	4.29 4.25 4.30 4.31 In Machine: 8%-1 Interest Indice Fe	4.28 4.23 4.27 4.29 14.29 15.5; Hight	8.28 5.09 5.05 5.05 11% and pag 21 Jun 28	irred † Med. 15 High 15 £ † Plat yie Jan 27	yra yra sd. yst Yes in 26 117.04	4.45 4.22 4.46 r to deta. W ago	4,44 4,29 4,44 Hight	6.20 6.20 6.20 6.20 Low 93.31	Real tip Over 5-1: Over AR :	to 5 yrs r 5 yrs i yrs i yrs i 15 yrs Stocks	3.00 2.08 2.13 1.65 2.12 Feb 1	LUS 1 13.22 2 9.87 1 16.88 2 11.67 2 Jan 29	m 29 Yr 109 3 2.06 3 111 U 2.06 3 2.12 3 Jan 28	1.71 1.27 1.26 1.23 1.28 1.28	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89	3.37 13.33 9.86 16.98 11.80	Jan 29 1 2.19 1.88 1.85 1.90 1.90	2.92 3.06 3.04 3.06 3.05
7/end inatio 5 yrs 10 yrs 15 yrs 20 yrs Coupon Band FT Fixed 1 Gont. Secs. © FISE hard	4,29 4,25 4,30 4,33 ir Machiner 196-1 internest Endice Fe	4.28 4.23 4.29 4.29 6 94%; High: 8 3 1 Jan :	8.28 5.09 6.06 5.05 11% and peo	irred † Med. 15 High 15 t. † Flat yea Jan 27 118.93	yea yea at yet Yea bet 26 117.04	4.45 4.45 4.46 r to deta. Yt ago 103.02	4,44 4,29 4,44 High	6.20 6.20 6.20 6.20 Low 93.31	Real tip Over 5-1: Over AR :	io 5 yrs r 5 yrs 5 yrs r 15 yrs r 15 yrs	3.00 2.08 2.13 1.65 2.12 Feb 1	LUS 1 13.22 2 9.87 1 16.88 2 11.67 2 Jan 29	m 29 Yr 109 3 2.06 3 111 U 2.06 3 2.12 3 Jan 28	1.71 1.27 1.26 1.23 1.28 1.28	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89	3.37 13.33 9.86 16.98 11.80	Jan 29 1 2.19 1.88 1.85 1.90 1.90	2.92 3.06 3.04 3.06 3.05
Vietd instito 5 yrs 10 yrs 15 yrs 20 yrs Copen Blad FT Fitted Gort, Seen 6 FISE Inte- Blads 100: Gr	4.29 4.25 4.30 4.32 4.31 4 Mediage 84-1 Antiprest Indice Fel (UIC) 116 Restrict Ud 1893	4.29 4.23 4.27 4.29 64%; High: 8 51 Jan : 178 117.0 46 rights as 15/10/26 (8.28 5.09 6.06 5.05 11% and peo	irred † Med. 15 High 15 t. † Flat yea Jan 27 118.93	yea yea at yet Yea bet 26 117.04	4.45 4.32 4.46 r to dels. Yr ago 103.02 ecurities h	4,44 4,29 4,44 High	6.20 6.20 6.20 6.20 Low 93.31	Real tip Over 5-1: Over AR :	to 5 yrs r 5 yrs i yrs i yrs i 15 yrs Stocks	3.00 2.08 2.13 1.65 2.12 Feb 1	LUS 1 13.22 2 9.87 1 16.88 2 11.67 2 Jan 29	m 29 Yr 109 3 2.06 3 111 U 2.06 3 2.12 3 Jan 28	1.71 1.27 1.26 1.23 1.28 1.28	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89	3.37 13.33 9.86 16.98 11.80	Jan 29 1 2.19 1.88 1.85 1.90 1.90	2.92 3.06 3.04 3.06 3.05
Vietd instito 5 yrs 10 yrs 15 yrs 20 yrs Copen Blad FT Fitted Gort, Seen 6 FISE Inte- Blads 100: Gr	4,29 4,25 4,30 4,33 r blother 8%-1 knterest indice Fei (UIC) 116 sectoral Ltd (1999)	4.29 4.23 4.27 4.29 64%; High: 8 51 Jan : 178 117.0 46 rights as 15/10/26 (8.28 5.09 6.06 5.05 11% and peo	irred † Med. 15 High 15 t. † Flat yea Jan 27 118.93	yea yea at yet Yea bet 26 117.04	4.45 4.32 4.46 r to dels. Yr ago 103.02 ecurities h	No. 281 Y 4,44 4,26 4,44 No. 177.17 Idy stees and 1974	6.20 6.20 6.20 6.20 Low 93.31	Real tip Over 5-1: Over AR :	to 5 yrs r 5 yrs i yrs i yrs i 15 yrs Stocks	3.00 2.08 2.13 1.65 2.12 Feb 1	LUS 1 13.22 2 9.87 1 16.88 2 11.67 2 Jan 29	m 29 Yr 109 3 2.06 3 111 U 2.06 3 2.12 3 Jan 28	1.71 1.27 1.26 1.23 1.28 1.28	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89	3.37 13.33 9.86 16.98 11.80	Jan 29 1 2.19 1.88 1.85 1.90 1.90	2.92 3.06 3.04 3.06 3.05
Vietd instito 5 yrs 10 yrs 15 yrs 20 yrs Copen Blad FT Fitted Gort, Seen 6 FISE Inte- Blads 100: Gr	4.29 4.25 4.30 4.33 F Medius 6%-1 Interest Indice Fel (UIC) 116 Extract Us 1899 FULTS PI	4.29 4.23 4.27 4.29 9 75%; High 8 9 1 Jan 1 178 1910 n 1 1910 25 1 10 CES	8.28 5.09 5.05 5.05 11% and per 21 Jun 28 22 116.86 Served, for	irred † Med. 15 Med. 15 High 15 ; t. † Pat yea In 27 118.93 1899/99 Ga max 1928. S	yea scl. yel Yea .lan 26 117.04 recovered & E activity in	4.45 4.32 4.46 r to dels. Yr ago 103.02 ecurities h	No. 29 Y 4,44 4,29 4,44 High 117.17 Igh stora a ed 1974	7 ago 6.20 6.20 6.20 Low* 93.31 complisher	Place Institute of the Control of th	to 5 yrs r 5 yrs r 5 yrs r 5 yrs r 15 yrs stocks Test stocks	80 7 D 3.00 2.08 2.13 1.55 2.12 Feb 1 158.2 1.375, F	LUS 1 13.22 2 9.87 1 16.88 2 11.67 2 Jan 29	m 29 Yr 199 3 296 3 206 3 213 0 208 3 212 3 Jan 28 158.29 1 high since	1.71 1.27 1.26 1.23 1.28 1.28 1.28 1.28 1.28	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89 1.89 1.89	Der yrs 3.37 13.33 9.86 16.98 11.80 17 agn 138.06 (22/01/99)	2.19 1.88 1.85 1.90 1.90 High*	2.92 3.06 3.04 3.06 3.05
Yield isation 5 yrs 10 yrs 10 yrs 15 yrs 20 yrs Coupon Band FT Fixed 1 Gort. Secs. 6 FISE Intelleds 100: Go	4.29 4.25 4.30 4.33 F Medius: 6%-1 Interest Indices Fel (UIC) 116 Fel (UIC) 117 Fel Itolas Int	4.29 4.23 4.27 4.29 6.29 6.31 Jan 1 1.78 117.1 78 117.1 7	8.28 5.09 6.06 5.05 11% and peo	irred † Med. 15 Med. 15 High 15 ; t. † Pat yea In 27 118.93 1899/99 Ga max 1928. S	yea yea del yed Yea dan 26 117.04 menument & E activity to Low	Pet 1 4 4.45 4.32 4.46 r to deta. W ago 103.02 iccurities in dices retain	No. 29 Y 4,44 4,29 4,44 117.17 195 state and 1974	7 ago 6.20 6.07 6.20 Low* 93.31 compliator:	Place S	to 5 yrs r 5 yrs r 5 yrs f 5 yrs f 115 yrs Stocks rrest 6), sow 49,18 (## 7 D 3.00 2.08 2.13 1.65 2.12 Feb 1 1.58.2 1.375, F	lur yrs Ja 1235 1322 9.81 16.88 11.67 18.29 158.26 Interest	29 Yr 299 3 2,08 3 2,13 0 2,08 3 2,12 3 Jun 28 158,29 1, high sinc	1.77 1.27 1.26 1.23 1.25 1.25 1.25 1.26 1.27 1.58.30 2.20 2.20 2.20 2.20 2.20 2.20 2.20 2	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89 1.89 1.89	3.37 13.33 9.86 16.98 11.80	2.19 1.88 1.85 1.90 1.90 High*	2.92 3.06 3.04 3.06 3.05
Yield isatio 5 yrs 10 yrs 10 yrs 15 yrs 20 yrs Coupon Band FT Fixed 1 Gort. Secs. 6 FISE Inte- Basis 100: Go	4.29 4.25 4.30 4.33 F Medius: 6%-1 Interest Indices (III) 116 Fel (III) 117 Fel (III)	4.29 4.23 4.27 4.27 4.29 98% Highs 1 Jan 1 178 117.0 86 rights in as 15/10/25 of 180 180 P	8.28 5.08 6.06- 6.05 11% and eep 12 Jun 28 12 116.86 Served her-	irred † Med. 15 High 15 L † Pat yea Lan 27 118.93 199899 Screen 1928. St	yra yra yra dd. ydd Yea Am 26 117.04 merament & E activity in	#4.45 4.22 4.46 r to deta. W ago 103.02 lecurities it dices rebail	No. 29 Y 4,44 4,29 4,44 117.17 195 stace and 1974	7.43 4.31	Place S Hitze S 127 40 (1/6/3	to 5 yes 1 5 yes 2 yes 3 yes 5 yes 5 yes 5 yes 1 15 yes Stocks	80 7 D 3.00 2.08 2.13 1.65 2.12 Feb 1 158.2 1/3/79, F	lur yrs Ja 1322 1 1322 2 9.81 1 16.88 1 11.67 2 lan 29 158.28 had interes	29 Yr 29 Yr 29 3 2,96 3 2,78 3 2,72 3 3,272 3 Jan 28 158,29 1684 4	1.71 1.27 1.22 1.23 1.25 1.26 1.28 1.28 1.28 1.28 1.28 1.28 1.28 1.28	2.27 1.88 1.85 1.89 1.89 1.89 1.89 25 158.32 158.45	Der yrs 3.37 13.33 9.86 16.98 11.80 17 age 138.08 (22/01/99)	Lan 29 Y 2.19 1.88 1.85 1.90 1.90 High* 158.45 1or = High	2.92 3.06 3.04 3.06 3.05 15.32 07//75
Visted leading 5 yrs 10 yrs 15 yrs 20 yrs Coupon Send FT Fitted 1 Gont. Secs. 6 FTSE Inte- Beds 100: G UK Tress 91-pr- Tress 91-pr- Tress 91-pr-	4.29 4.25 4.30 4.31 A STAN Machiner 876-1 Antiprost Indices 60 6000 116 800	4.29 4.23 4.27 4.27 98%; High: 8 3 1 Jan : 178 117.6 8 1251029 6 Red 9	8.25 5.05 5.05 5.05 11% and pag 21 Jun 28 12 116.86 Served, * for and freed beau	irred † Med. 15 High 15 t. † Plat yea tan 27 118.93 1899199 Ga mar 1928. S	yea sca yea Yea sca yea Yea sca yea Yea 117.04 reconnect & E activity to 100 00 00 Bec	# 4.45 4.42 4.46 4.42 4.46 7 to date Ye ayo 103.02 incurities it dices rehain	No. 28 Y 4.44 4.26 4.44 117.17 117.17 105 stace 2 1015 005	6.20 6.20 6.20 6.20 93.31 compliator: 16 Mai: 743 4.32 7.75 4.32	Place 5 177 9232 185 2892	to 5 yes 1 5 yes 5 yes 1 15 yes 1 15 yes 1 15 yes Stocks	80 7 D 3.00 2.08 2.13 1.65 2.12 Feb 1 158.2 1.379, F	Lur yrs Ja Lu5 13.22 2 9.81 16.88 3 11.67 3 lan 29 158.28 had interes	158.29 Yr 158.29 Yr 158.29 Yr 158.29 X Night cinc	1.71 1.27 1.28 1.28 1.28 1.28 1.28 1.28 1.29 1.58 30 1.20 1.20 1.20 1.20 1.20 1.20 1.20 1.2	Feb 1 2.21 1.88 1.89 1.89 1.89 1.89 1.89 25 158.32 158.32 158.32 158.32 283 204	Der yrs 3.37 12.33 9.86 16.98 11.80 138.08 (22/01/99)	Jan 29 Y 2.19 1.88 1.85 1.90 1.90 1.90 High* 158.45 1.90 2.31 158.45 1.90 1.90 1.90 1.90 1.90 1.90 1.90 1.90	2.92 3.06 3.04 3.05 3.05 115.32 07/75, 2 eeek Low
Yield leaflo 5 yrs 10 yrs 15 yrs 20 yrs Coupon Steed FT Fitted 1 Gont. Secs. 6 FTSE Intel Bests 100: Go Steers* Qibe Tress Signe 1 Tress Signe 1 Tress Signe 1 Sport 12 year 1	4.29 4.25 4.30 4.31 at Machiner 8%-1 https://discourses/figure	4.29 4.23 4.27 4.29 4.29 6.32 6.33 6.33 6.33 6.33 6.33 6.33 6.33	5.25 5.26 5.26 5.25 5.25 11% and see 22 116.25 12 116.26 12 116.26 12 16.27 12 16.27	irred † Ned. 15 High 15 t † Plat yer 2n 27 118.93 189979 Special 1928. Si High 102.36 100.23 1 100.23 1	yea set year 117.04 menument & E activity in Low Con 00.00 Bec 90.02 Tre (91.53 Tre	# 4.45 4.46 4.46 7 to date. W ago 103.02 iccuribes it dices reban	### 28 Y 4.44 4.26 4.44 Fight 117.17 117.17 118 stock c and 1974 11005	6.20 6.20 6.20 6.20 1.00° 93.31 0.000000000000000000000000000000000	Flood Int. 127 40 (1/4/3	to 5 yes 15 yes 15 yes 15 yes 15 yes 15 yes 15 yes 155 yes 16 yes	100 1 0 3.00 2.08 2.13 1.52 2.12 Feb 1 158.2 1375, F	lar yrs Ja 13.22 2 9.87 1 16.88 2 11.67 2 lan 29 158.26 bad interes 2 lags 9 2 lags 9 2 lags 9	29 Yr 109 3 2,96 3 2,96 3 2,26 3 2,12 3 3,12 3 4 158,29 1 Ngt sinc	1.71 1.26 1.22 1.28 1.28 1.28 1.28 1.28 1.28 1.29 1.20 1.20 1.20 1.20 1.20 1.20 1.20 1.20	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89 1.89 1.89 25 158.32 158.45 25 293 204 230 207	Der yra 3.37 12.33 9.86 16.98 11.80 138.08 22.01.99 22.01.99 22.01.99	Lan 29 Y 2.19 1.88 1.85 1.90 1.90 1.90 1.90 1.90 1.90 1.90 1.90	2.92 3.06 3.04 3.06 3.05 15.32 15.32 15.32 1.07/75 1.09/75 1.0
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Visid limits 5 yrs 10 yrs 15 yrs 20 yrs Coupon Stand FT Foted 1: Fore Stands 100: Ge Stands 100: Ge Stands 102: Ge Tress 91 yrs 1: Tress 91 yrs 1: Tress 102: ge Case 102: ge Case 102: ge Tress 104: ge Tress 104: ge	4.29 4.25 4.30 4.25 4.30 F Machiner 6%-1 Interest Interes	4.29 4.23 4.23 4.23 4.29 90%, High 8 117.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1	5.25 5.06 5.05 5.05 11% and one 22 116,25 12 116,25 12 116,25 12 116,25 12 116,25 12 116,25 12 116,25 12 116,25 12 116,25 12 12 12 12 12 12 12 12 12 12 12 12 12 1	irred † Med. 15 High 15 ; Plat yie 27 118.99 Sent 1928. St 1989. Sent 1928. St 1928. St 1929.	yea yea at ye	Pete 1 4.46 4.46 7 in data. 1 it agramma 1 in 103.02 1 in 103.02 1 in 103.02 2	Han 28 Y 4,44 4,44 4,44 Hagir 117.17 117.17 118.18	6.20 6.20 6.20 6.20 6.20 6.20 6.20 6.20	Pitze 5 127 40 (1/4/3 124 (1/4/3 125 (1/4/4) 125 (1/4/4) 126 (1/4/4) 127 (1/4/4) 128 (1/4/4) 129 (1/4/4) 120 (1/4/4) 121 (1/4/4) 121 (1/4/4) 122 (1/4/4)	b 5 yrs 1 5 yrs 5 yrs 5 yrs 1 5 yrs 1 15 yrs 1 15 yrs 1 15 yrs 2 12 15 15 yrs 2 15 y	117.84 114.50 114.50 114.50 117.84 117.84 117.85 117.85 117.85 117.85 118.87 11	Index-life 1982 1882 1882 1882 1882 1882 1882 1882	III 29 Yr 129 1	1.77 1.27 1.28 1.22 1.23 1.23 1.23 1.23 1.23 1.23 1.23	Feb 1 221 1.88 1.85 1.89 1.89 1.89 1.89 2.81 2.83 2.84 2.83 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.83 2.84 2.85 2.85 2.85 2.85 2.85 2.85 2.85 2.85	Der yrs 3.37 13.37 13.39 86 16.98 11.80 138.08 (22/01/99. 138.08 (22/01/99. 138.08 (22/01/99. 138.08 (22/01/99. 138.08 (22/01/99. 138.08 (22/01/99. 138.08	Jan 28 1 2.19 1.85 1.85 1.90 1.85 1.90 1.90 1.90 1.90 1.90 1.90 1.90 1.90	2.92 3.06 3.06 3.05 115.32 2.000 115.32 2.000 1.
Yield limits 5 yrs 10 yrs 15 yrs 20 yrs Coupon Send FT Fibraid 1 FT Fi	4.29 4.25 4.30 4.31 4.32 4.33 4.33 4.33 4.34 4.33 4.34 4.33 4.34 4.33 4.34 4.33 4.34 4	4.23 4.23 4.23 4.23 4.23 6.23 6.31 6.31 6.31 6.31 6.31 6.31 6.31 6.3	8.28 5.06 5.06 5.05 11% and one 12 1.05 11% and one 12 1.05 12 116.86 one 12 1.05 11% one 12 1.05 11% one 12 1.05 11% one 12 11% one	irred † Med. 15 High 15; t † Ret yes Len 27 118.83 199999 Go max 1993. S 102.36 100.43 1104.60 1106.07 1	yra yra yra at y	Petr 1 4.46 4.46 7 in date. W ago 103.02 103.02 103.02 104.02 105.02 104.02 105	### 29 Y 4,44 4,44 117.17	7.43 4.31 7.76 4.32 9.28 4.32 4.32 4.32 4.32 4.32 4.32 4.32 4.32	Pitce 5 Pitce 6 Pitce 6 Pitce 6 Pitce 6 Pitce 6 Pitce 6 Pitce 7 Pitce	b 5 yrs 1 5 yrs 5 yrs 1 15 yrs 1	60 7 E 60 3.00 2.00 3.00 2.00 3.00 2.00 3.00 2.13 5.5 5.5 5.5 5.5 5.5 5.5 5.5 5.5 5.5 5.	Index - Limber 12 lage 19 2 lage 2	129 Yr 200 3 3 2 2 2 2 2 2 2 3 4 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	177 128	Feb 1 2.21 1.86 1.85 1.89 1.89 1.89 1.89 2.10 2.10 2.10 2.10 2.10 2.10 2.10 2.10	Der yrs 3.37 13.37 13.36 9.86 16.98 11.80 138.06 (22/01/93) 138.06 (22/01/93) 138.06 (22/01/93) 138.06 (23/01/93) 148.37 -0.0326 -0.01 3218 -0.0326	Jan 28 Y 2.19 1.88 1.85 1.90 1.90 1.90 1.90 1.90 1.90 1.90 1.90	2.92 2.06 3.06 3.06 3.06 3.06 3.06 3.06 3.06 3
Yield limits 5 yrs 10 yrs 15 yrs 20 yrs Coupon Send FT Fibraid 1 FT Fi	4.29 4.25 4.30 4.25 4.30 4.31 In Mechanic 816-1 Interest Indices Fer Indices Int Interest Indices Int Interest Indices Int Interest Indices Int Interest Int	4.23 4.23 4.23 4.23 4.23 5.3 5.3 6.1 78 1171 78 1171 78 1171 78 1181 78 1181 7	8.28 5.06 5.05 5.05 5.05 11% and see 12 118.8 60 12 118.8 60 12 118.8 60 12 12 118.8 60 12 12 118.8 60 12 12 12 12 12 12 12 12 12 12 12 12 12	irred † Med. 15 High 15 ; 2 Flat year 15 ; 2 The second 15 ; 2 The	yra	Peto 1 4.46 4.46 7 to date. 113.02 11	Name 28 Y 4,444 4,444 4,444 117.17 117.17 118.18 11	7.490 6.20 6.20 6.20 93.31 93.31 93.431 7.75 4.23 9.28 4.22 7.76 4.23 9.28 4.22 7.18 4.27 9.32 4.23 6.18 4.27 9.32 4.23 6.18 4.27 9.32 4.23 6.34 4.31 9.32 4.23 6.34 4.31 9.32 4.23 6.34 4.31 9.32 4.23 6.34 4.31 9.32 4.31	Place S 127, 9232 135, 5282 132, 9400 135, 5285 122, 9740 131, 5277 126, 5096 129, 2776 132, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 122, 5244 1222, 5244 1222, 5244 1222, 5244 1222, 5244 1222, 5244 1222, 5244 12	b 5 yrs 1 5 yrs 5 yrs 1 5 yrs 1 15 yrs	100 T L 13.00 2.13 2.12 2.12 Feb 1 15.82 2.12 117.85 127.40 112.85 102.95 118.81 118.11 118.11 118.11 118.11 118.12	Index - Limber 12 lage 19 2 lage 2	129 Yr 200 3 3 2 2 2 2 2 2 2 3 4 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	1.77 1.27 1.28 1.22 1.23 1.23 1.23 1.23 1.23 1.23 1.23	Feb 1 2.21 1.86 1.85 1.89 1.89 1.89 1.89 2.10 2.10 2.10 2.10 2.10 2.10 2.10 2.10	Der yrs 3.37 13.37 13.39 9.86 16.98 11.80 138.06 (22/01/93) 138.06 (22/01/93) 138.06 (22/01/93) 138.06 (23/01/93) 148.37 -0.032 1875 -0.038 -0.038	Jan 28 Y 2.19 1.88 1.85 1.90 1.90 1.90 1.90 1.90 1.90 1.90 1.90	2.92 2.06 3.06 3.06 3.06 3.06 3.06 3.06 3.06 3
Yield leation 5 yrs 10 yrs 15 yrs 20 yrs Coupon Send FT Fibraid Fort. Secs. © FTS lease Entry Fress 100 Ge Stantor Gibe Treas 91/2pc 1 Treas 10/2pc	4.29 4.25 4.30 4.31 4.32 4.33 4.33 4.33 4.33 4.33 4.33 4.33	4.23 4.23 4.23 4.23 4.23 4.23 6.23 6.33	8.28 5.06 5.06 5.05 11% and one 12 1.00 25 12 116.86 6 6 6 6 6 7 10 10 10 10 10 10 10 10 10 10 10 10 10	irred † Med. 15 High 15; t + Rid yea Lin 27 118.83 198999 const 1928. S 102.36 100.23 † 100.481 † 100.481 † 100.483 † 114.38 † 100.482 † 114.38 † 100.482 †	yea yea 26 1 yed Yea 26 117.04 1 12.00 20.	Peto 1 4.46 4.46 4.46 7 in data. W. ayou 200 1012-02-02-02-02-02-02-02-02-02-02-02-02-02	### 29 Y	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Pitce S 177 8272 - 135 2822 - 135 2822 - 135 2822 - 126 2000 - 126	b 5 yrs 15 yrs 15 yrs 15 yrs 15 yrs 25 yrs 16 yrs 16 yrs 26 yrs 26 yrs 27 yrs 28 yrs 2	117.84 117.84 117.84 117.84 117.84 117.84 118.17 11	Index-limited by the second se	129 Yr 200 3 3 2 1 1 1 1 2 1 2 1 1 1 1 2 1 1 1 1 1	1.77 1.27 1.28 1.23 1.23 1.23 1.23 1.23 1.23 1.23 1.23	Feb 1 2.21 1.88 1.85 1.89 1.89 158.32 158.32 158.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32 159.32	Der yrs 3.37 13.33 9.86 16.98 11.80 138.08 (22/01/99) 138.08 (22/01/99) 138.08 (22/01/99) 138.08 (22/01/99) 138.08 (22/01/99) 138.08 1	Jan 28 Y 2.19 1.88 1.85 1.85 1.90 1.90 1.90 1.90 1.90 1.90 1.90 1.90	2.92 2.05 3.04 3.05 3.05 115.32 115.32 3.18 3.18 3.18 3.18 3.18 3.18 3.18 3.18
Viete leation yrs 10 yrs 15 yrs 20 yrs Coupon Stand FT Fitted FT Fitte	4.29 4.25 4.30 4.25 4.30 4.31 4.32 4.32 4.33 4.34 4.31 4.32 4.33 4.34 4.32 4.33 4.34 4.33 4.34 4.35 4.34 4.35 4.34 4.35 4.34 4.34	4.29 4.27 4.27 4.29 4.29 4.29 4.29 6.30 6.30 6.30 6.30 6.30 6.30 6.30 6.30	5.25 5.06 5.05	irred † Med. 15 Med. 1	yra	Peto 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	Harman 28 Y 4.24 4.25 4.44 4.24 4.44 4.44 4.44 4.44	6.20 6.20 6.20 6.20 6.20 6.20 6.20 6.20	Prize 5 127 40 (1/4/3 Prize 5 127 40 (1/4/3 Prize 5 127 525/2 134 2400 135,535/4 124 2476 125,035/4 126,026/4 127 2276 126,026/4 127 2276 126,026/4 127 2276 128,026/4 138,026/4 138,026/4 138,026/4 138,026/4 138,026/4	15 yrs 2006s 115 yrs 2006s 115 yrs 2006s 121 (10 yrs 2007 125 yr	117.84 102.59 103.00 2.13 2.13 2.15 2.15 2.15 1158.2 117.84 117.84 119.45 119.4	Index-lines 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	129 Yr 200 3 3 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1	1.77 1.27 1.28 1.23 1.25 1.25 1.25 1.25 1.25 1.25 1.25 1.25	Feb 1 221 1.88 1.89 1.89 1.89 1.89 1.89 2.20 2.20 2.20 2.20 2.20 2.20 2.20 2.2	Der yrs 3.37 12.35 9.86 16.98 11.80 138.08 (22.01.99 138.08 (22.01.99 138.08 (22.01.99 138.08 (22.01.99 138.08 (22.01.99 138.08 (22.01.99 138.08 (22.01.99 138.08 (22.01.99 138.08 (22.01.99 138.08 (22.01.99 138.08 (23.0	Jan 28 Y 2.19 1.88 1.85 1.90 1.90 1.90 1.90 1.90 1.85 1.90 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.85 1.85 1.86 1.85 1.86 1.86 1.87 1.87 1.87 1.87 1.87 1.87 1.87 1.87	2.92 2.05 3.06 3.06 3.06 3.06 3.06 3.06 3.06 3.06
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Treat leads 5 yrs 10 yrs 15 yrs 20 yrs Coppor State FT Florad ! Starris** Silve Seas 100: Ge Starris** Silve Seas 100: Ge Starris** Silve Seas 100: Ge Treat 90: get 12 yet in Treat 10 yet 10 yet in Treat 10 yet 10 yet in Treat 10 yet 2 yet	4.29 4.25 4.30 4.25 4.30 4.31 F Minchest #4-31 F Minchest	4.23 4.23 4.23 4.23 4.23 4.23 4.23 6.23 6.33 6.33 6.33 6.33 6.33 6.33 6	5.05 5.06 5.05	irred † Med. 15 High 15 ; 2 Pat year 118.93 (1988) 5 met 1988 5 118.93 (1988) 5 118.93 (1988) 100.23 † 100.46 † 100.47 † 101.89 †	yea yea yea 26 117.04 117.04 117.04 12.05 117.05 11	Peto 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	### 28 Y	7.43 4.51 7.76 4.20 7.76 4.20 7.76 4.22 7.76 4	Pice 5 177 92722 135 9972 134 9400 125 9892 136 9400 125 9890 126 9890 127 9772 136 9890 128 9772 128	15 yrs 25 yrs 26 yrs 27 yrs 28	17 St. 22 15 15 15 15 15 15 15 15 15 15 15 15 15	Index - Lindex - Lind	129 Yr 129 3 3 121 129 3 3 121 129 3 121 129 3 121 129 3 121 121 121 121 121 121 121 121 121 1	1.77 1.26 1.23 1.26 1.23 1.25 1.25 1.25 1.25 1.25 1.25 1.25 1.25	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89 1.89 1.89 1.89 1.89 1.89	Der yrs 3.37 13.33 9.86 16.98 11.80 11.80 138.06 (22/01/99) 138.0	Jan 28 Y 2.19 1.88 1.85 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.85 1.85 1.85 1.85 1.85 1.85 1.85	2.92 2.05 3.06 3.05 3.05 3.05 3.05 3.05 3.05 3.05 3.05
Treat leads 5 yrs 10 yrs 15 yrs 20 yrs Coppor State FT Florad ! Starris** Silve Seas 100: Ge Starris** Silve Seas 100: Ge Starris** Silve Seas 100: Ge Treat 90: get 12 yet in Treat 10 yet 10 yet in Treat 10 yet 10 yet in Treat 10 yet 2 yet	4.29 4.25 4.20 4.25 4.20 4.23 1 Mechanic 5%-1 10197881 Indiace Fac (GURC) 1116 201910111111111111111111111111111111111	4.29 4.27 4.27 4.29 4.29 4.29 4.29 4.29 4.29 4.29 4.29	5.25 5.06 6.06 6.05 6.05 6.05 6.05 6.06 6.06	irred † Med. 15 Med. 15	yra	Peto 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	### 28 Y	7.43 4.51 7.76 4.20 7.76 4.20 7.76 4.22 7.76 4	Pice 5 177 92722 135 9972 134 9400 125 9892 136 9400 125 9890 126 9890 127 9772 136 9890 128 9772 128	15 yrs 25 yrs 26 yrs 27 yrs 28	17 St. 22 15 15 15 15 15 15 15 15 15 15 15 15 15	Index - Lindex - Lind	129 Yr 129 3 3 121 129 3 3 121 129 3 121 129 3 121 129 3 121 121 121 121 121 121 121 121 121 1	1.77 1.26 1.23 1.26 1.23 1.25 1.25 1.25 1.25 1.25 1.25 1.25 1.25	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89 1.89 1.89 1.89 1.89 1.89	Der yrs 3.37 13.33 9.86 16.98 11.80 11.80 138.06 (22/01/99) 138.0	Jan 28 Y 2.19 1.88 1.85 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.85 1.85 1.85 1.85 1.85 1.85 1.85	2.92 2.05 3.06 3.05 3.05 3.05 3.05 3.05 3.05 3.05 3.05
Vietal limition 5 yrs 10 yrs 15 yrs 20 yrs Coupon Send FT Fibraid FT Fibraid Court. Secon. © FTSE Inter- Beats 100: Ge Treas 91-pr: 1 Treas 91-pr: 1 Treas 10-pr:	4.29 4.25 4.30 4.31 4.32 4.33 4.33 4.33 4.33 4.34 4.31 4.33 4.33	4.23 4.23 4.23 4.23 4.23 4.23 4.23 4.23	8.25 5.06 5.05 5.05 5.05 5.05 5.05 5.05 5.0	irred † Med. 15 High 15; £ † Rid yea 27 118,83 198989	yra	Pete 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	### 28 Y ### 28 Y ### 28 Y ### 28 Y ### 4.29 Y ### 4.29 ### 4.24 #	7.43 4.51 7.76 4.20 7.76 4.20 7.76 4.22 7.76 4	Pice 5 177 92722 135 9972 134 9400 125 9892 136 9400 125 9890 126 9890 127 9772 136 9890 128 9772 128	15 yrs 25 yrs 26 yrs 27 yrs 28	17 St. 22 15 15 15 15 15 15 15 15 15 15 15 15 15	Index Line 19 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	129 Yr 129 3 3 121 12 12 12 12 12 12 12 12 12 12 12 12	1.77 1.27 1.28 1.23 1.28 1.23 1.28 1.23 1.28 1.23 1.28 1.28 1.29 1.29 1.29 1.29 1.29 1.29 1.29 1.29	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89 1.89 1.89 1.89 1.89 1.89	Der yrs 3.37 13.33 9.86 16.98 11.80 11.80 138.06 (22/01/99) 138.0	Jan 28 Y 2.19 1.88 1.85 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.85 1.85 1.85 1.85 1.85 1.85 1.85	2.92 2.05 3.06 3.05 3.05 3.05 3.05 3.05 3.05 3.05 3.05
Visid limits 3 yrs 10 yrs 15 yrs 20 yrs Coupon Stant FT Fitted 1: Court. Socs. Grits Index First Ind	4.29 4.25 4.30 4.25 4.30 4.31 4.31 4.31 4.32 4.30 4.31 4.31 4.31 4.31 4.31 4.31 4.31 4.31	4.29 4.23 4.27 4.29 4.29 4.29 6.1 Jan : 6.178 6.178 6.178 6.178 6.178 6.178 6.178 6.178 6.178 6.178 6.178 6.178 6.178 6.178 6.188 6.	5.25 5.06 5.06 5.05 5.05 5.05 5.05 5.05 5.0	irred † Med. 15 High 15 ; 7 Flat year 27 118.93 (1989.99 6 met 1928. St. 192	yra	Peb 1 4.46 4.46 7 in data. 'it app 1103.02 103.02	117.17 117.17 118.18 11	7.490 6.20 6.20 6.20 93.31 93.31 93.43 7.43 4.31 7.76 4.22 9.28 4.22 7.18 4.57 6.18 4.27 9.22 4.22 6.18 4.27 9.22 4.22 6.32 4.32 9.43 4.22 9.44 4.22 9.45 4.22 9.45 4.23 9.45 4.	Pice 5 17 9232 135 2692 134 9400 125 130 2695 122 1770 125 10096 129 1770 120 1770 130 1850 131 147 1950 141 140 1777 110 130 1850 141 147 1950 147 130 1850 148 1777 130 1850 140 1851 130 1851 130 1851 130 1851 130 1852	15 yrs 10008 12.16 10008 12.16 10008 12.16 10008 12.16 10008 12.16 10008 12.16 10008 12.16 10008 12.16 10008 1000	100 T L 13.00 2.13 2.13 2.12 560 1 158.2 2.12 17.64 10.95 10.95 10.95 10.95 10.95 10.95 112.10 114.21 114.21 114.21 114.21 114.21 114.21 114.21 114.21 114.21 114.21 114.21 114.21 114.21	Index Line 19 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	129 Yr 129 3 3 121 129 3 3 121 129 3 121 129 3 121 129 3 121 121 121 121 121 121 121 121 121 1	1.77 1.27 1.28 1.23 1.28 1.23 1.28 1.23 1.28 1.23 1.28 1.28 1.29 1.29 1.29 1.29 1.29 1.29 1.29 1.29	Feb 1 2.21 1.88 1.85 1.89 1.89 1.89 1.89 1.89 1.89 1.89 1.89	Der yrs 3.37 13.33 9.86 16.98 11.80 11.80 138.06 (22/01/99) 138.0	Jan 28 Y 2.19 1.88 1.85 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.90 1.85 1.85 1.85 1.85 1.85 1.85 1.85 1.85	2.92 2.05 3.06 3.05 3.05 3.05 3.05 3.05 3.05 3.05 3.05
Visid limits 3 yrs 10 yrs 15 yrs 20 yrs Coupon State FT Fixed 1: Gont. Seen. © FISE Inter- Busis 100: Go Fixed 91:ge: 1 Trease 90:ge: 101:ge: 1 Trease 90:ge: 101:ge: 1 Trease 90: 101:ge: 1 Trease 90: 201 Trease 101:ge: 2 Trease 90: 201 Trease 101:ge: 2 Trease 70: 201 Trease 70:	4.29 4.25 4.30 4.25 4.30 4.31 F Minchest #4.31 F Minchest	4.23 4.23 4.23 4.23 4.23 4.23 4.23 4.23	5.05 5.06 5.05 5.05 5.05 5.05 5.05 5.05	irred † Med. 15 High 15 ; 2 F Pat year 15 ; 2 F Pat year 1928. St	yea yea 117.04 117.0	Pete 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	### 28 Y ### 4.28 Y ##	7.43 4.33 1 200 6.20 6.20 6.20 6.20 6.20 6.20 6.20	Prize 5 177 92722 135 2982 134 9400 125 2990 121 2400 125 2990 121 2476 121 2772 125 2990 121 24169 123 2444 133 2444 133 2444 134 2497 118 2598 131 184 7790 147 1598 131 184 77 139 1855 131 1852 144 7890 147 1598	15 yrs 15 yrs 15 yrs 15 yrs 15 yrs 15 yrs 16	17 Sept. 1 158.2 2.13 1.158.2 2.13 1.158.2 2.13 1.158.2 2.13 1.158.2 1	Index Line 19 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	129 Yr 129 3 3 121 12 12 12 12 12 12 12 12 12 12 12 12	158.30 (m)	Feb 1 221 1.88 1.85 1.89 1.89 1.89 1.89 1.89 1.89 1.89 1.89	Der yrs 3.37 13.33 9.86 16.98 11.80 11.80 138.06 (22/01/99) 138.0	Jan 28 1 2.19 1.88 1.85 1.90 1.85 1.85 1.85 1.85 1.85 1.85 1.85 1.85	2.92 2.06 3.06 3.06 3.05 3.05 105 105 105 105 105 105 105 105 105 1
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turing sector.

MARKETS REPORT

The euro continued to lose

largely owing to the mar-

nation euro-zone was con-

firmed yesterday by purchas-

ing managers surveys in

showing further declines in

The negative news from

Europe stood in sharp con-

trast to a big improvement

in US manufacturing activ-

index climbed from 45.3 in

December to 49.5 in January.

euro-zone interest rates.

By Florian Gimbel

manufacturing.

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Feb 1

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The increasingly drab eco- ishing at 20.689 in London nomic outlook across the 11- trading, from £0.691 previously. In Europe's largest economy, Germany, the Purchasboth Germany and Italy, ing Managers Index edged up on a seasonally adjusted basis from 45.7 in December to 46.7 in January. But it

point level, implying a contraction in activity. "The slight uptick does The National Association not reflect the full extent to of Purchasing Management which the German exports will be affected by the crisis

The euro fell half a cent POUND IN NEW YORK against the dollar to end Feb 1 --Latest---- Prev. close --London trading hours at 1.5415 1.5403 1.6371 1.8368 1.6455 1.6453 With the dollar's backing, 1.6436 1.6410 sterling did not lose its shine

Day's Mid high low

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POUND SPOT FORWARD AGAINST THE POUND

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in the face of a gloomy in Brazil," said Ravi Bulreport on Britain's manufac- chandani, chief currency strategist at Morgan Stanley Running against market Dean Witter in London.

Euro lower on rate expectations

expectations for an interest The investment back cut ground against the dollar, rate cut by the Bank of its interest and exchange England on Thursday, the rate forecasts for the euroket's anticipation of a cut in pound ended only slightly zone yesterday, expecting lower against the euro, finthe euro to decline as low as \$1.05 in the near term. It also sees the need for a 75 basis points cut in the euro-zone interest rate from 3 per cent.

"With money supply pretty well on target, the fear of deflation is the most compelling argument for lowering rates," Mr Bulchanremained well below the 50 dani added.

> deflation, but that main policy indicators were developing as hoped. Analysts point to a fundamental change in expectations weighing on the euro.

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Against the dollar (\$ per 4) 1.17 __ 1.16 1.15 ...

Jan 1999 Speaking in Chicago, Wim increasingly soggy, at a time Duisenberg, president of the of an expected upswing. ECB, said it was ready to act Before the launch of the against either inflation or euro, markets were bullish

on growth in Europe, with the US economy expected to slow down. With last week's data, particularly the US GDP figures, the market's perception has been turned on its head," said David "Data coming out of the Bloom, currency strategist at HSBC in London. core euro-zone states is

He expects the European Central Bank to cut interest

rates in the first quarter of this year. But he added that expectations were too much concentrated on signals from Europe did whatever the Bundesbank decided to do.

but now Germany's actual influence has diminished. It went from 100 per cent decision making power to a voting power [within the ECB] that is well below its GDPweighted position in euroland. Before the single currency, Europe had to become more like Germany. Now Germany has to become more European-like," said

OTHER CURRENCIES

Hungary Itan Kuwati Peru Patawi Russia U.A.I.

■ Relative calm returned to the Brazilian market, following Friday's session, which was dominated unfounded rumours of a run

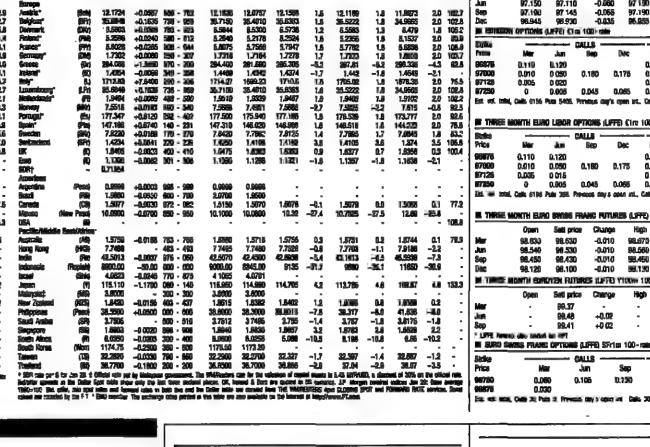
"Under the old regime, on banks by the public. The Real recovered from the all-time low of R\$2.1 it set against the dollar on Friday, rising 9 per cent to R\$1.92. "All eyes are now on the

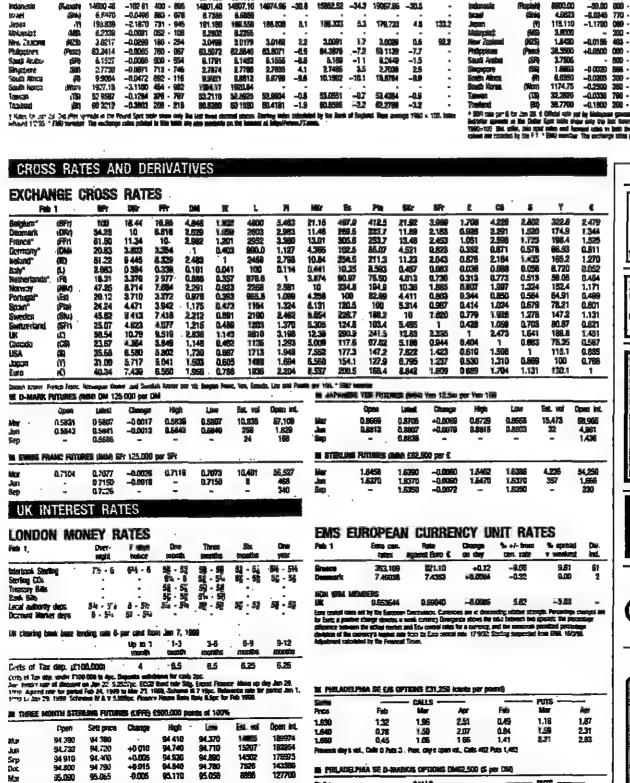
International Monetary Fund. And as long as there are no results, the market is rife for rumours of any kind," said Gene Frieda of the economic consultancy 4Cast in New York.

He added that the recent rise in the BOVESPA, the Brazilian stock index, did not reflect resurgent optimism, but rather inflation expectations.

Meanwhile, Brazil boosted market interest rates again by two per cent to 39 per cent. George Soros called the high level of interest rates 'disastrous".

WORLD INTEREST RATES MONEY RATES 70.1 3.00 1.00 4.50 3.00 M & LEUR BBA LINNIN 45 4.73 3<u>1</u> 3<u>1</u> 3<u>1</u> 3.078 bv SOR Linked Da = anden loterbank linder sine (LECPA) is the 68A London zite ticke of 1 Lain. No rates are shown for the cooperate Money Rates, USS CDs. Euro & SDR Lovied Deposts (Os INTERNATIONAL CURRENCY RATES 31 - 32 35 - 33 64 - 55 18 - 5 56 - 48 47 - 47 17 - 5 310 - 35 374 - 35 6 - 374 15 - 15 51 - 45 41 - 45 124 - 11 124 - 11 34 - 3 34 - 32 52 - 53 15 - 14 5 - 42 43 - 42 US Dollar THREE MOUTH BURBOR PUTURES (MATEPAINS Intertains offered rate Sett price Change High 96.990 -0.035 97.020 97.125 -0.045 97.170 Lour 96.955 97.120 6,336 3,580 31,586 18 1808 FUTURES (LIFFE) () (m 1907-cy) -0.050 -0.060 -0.065 -0.040 95.980 97.110 97.345 96.970 97.100 97.140 96.920 87724 89778 49947 80538 97.025 97.200 95,930 THREE MONTH EURO LUBOR FUTURES (LIFFE) (The 100-rate Sett price 96.980 97.110 97.145 96.930 -0.050 -0.060 -0.065 -0.035 97.D10 97.015 96.975 3879 8857 1788 1947 165028 USF510 E SUBLICA CATOONS (LIFTE) (1 to 100) the Mar Jam. 8**4**p 96876 97000 97125 0.005 0.030 0.150 0.110 0.010 0.005 0 0 050 0 020 0 005 0.160 0,175 0.970 0.165 0.050 0.045 0.065 0.165 0.006 0.030 0.120 0.175 0.050 0.180 0.050 0.070 0.006 Open Sati price High LOW Est. Vol Open Int. -0.010 -0.010 -0.010 -0.010 98.630 98.530 196,520 96,520 9075 4267 1159 *5*62 68220 46425 98.540 98.450 98.120 98.560 99.460 99.130 98.430 98.100 98.420 98.090 32117 13508 III TIES MONTH SURDIEN RITHRES ILLETTO YITUWA 100 -rate





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SFE to trade |Freeport McMoRan in royalties struggle commodities on screen

The Sydney Futures Exchange has formed a joint venture with Computershare, an information tech-Australia, an agricultural services group, in efforts to establish an electronic trading market for physical commodities, to be known as the Commodities Exchange of Australia, Traders and farmers welcomed the move.

however, many traders expressed concern about a delay in the SFE's planned switch from open outcry pittrading to fully electronic trading. The exchange said last week it had pushed back the date of the switch from

Members blamed bugs in the SFE's new system for the delay. The switch should be made after Sycom IV, the SFE's upgraded Windows NT screen-based trading platform, is installed in June.

Members are concerned the delay will add to pressures in preparing for the switch to year 2000-compliant systems. Some have said they would not accept any new systems after the third quarter of 1999 and probably not until after the first quarter of 2000. But the SFE said the planned October 1 conversion to fully screen-based trading, falling between the September contracts' rollover period and a public holiday, would cause minimal

The exchange said last week its planned CXA would be fully electronic, initially providing spot and forward markets for grains, pulses, oilseeds and other agricultural products. A feasibility study would be completed by the end of March and a launch date announced in a highly successful comshortly thereafter, it said.

The new market, which would eventually operate through the internet, would also seek to create markets for non-agricultural comoff-shore, said Les Hosking, SFE chief executive.

He added that the new exchange would promote transparency in transactions involving rural commodities. and help farmers and buyers gauge supply and demand

"This will reduce costs and the exposure growers or consumers will have to not get ting the right price," he said. Most traders of rural commodities rely on offshore markets or the SFE's futures contracts as the only public pricing mechanisms available to assess the market.

A centralised exchange for physical commodities would encourage price transparency and transaction security. Guarantees of financial performance and settlement by the SFE Clearing House. which is backed by a \$150m guarantee fund, would help to eliminate counterparty risk, he said. Throughout the extreme volatility of the Asian crisis, the exchange's clearing house performed without fault or incident. Mr

Hosking added. Computershare would develop and operate an electronic trading platform for the new exchange, while Agtex would provide marketing services and co-ordinate the exchange's relationship with bulk handlers.

The SFE is also continuing talks with the Australian Stock Exchange on a merger agreement should be ready by July, members said. The ASX demutualised last year and listed on its own boards

By Sander Thoenes in Jakarta

Freeport McMoRan, the US mining company that operates the world's largest gold mine and third largest copper mine, is struggling to reach a compromise with Indonesian officials who want to double the royalties it pays and block its expansion plans.

Freeport, which operates the Grasberg mine in Irian Jaya in a joint venture with Rio Tinto, has been the prime target of a public backlash against investors closely affiliated with former president Suharto. Kuntoro Mangkusubroto, the mining and energy minister, said last week he would approve were doubled, threatening Freeport's battered earnings and share price.

"It's payback time for Suharto," one mining execu-Freeport officials yester-

day met Mr Kuntoro, following a meeting a week earlier between Jim Bob Moffett, Freeport's CEO, and President B.J. Habible. While Mr Habibie then approved expansion of the mine to it," 300,000 tonnes, Mr Kuntoro has continued to object, citing concern over the environment and lack of benefits

alties only if prices of copper, gold or silver rise. The their close relationship with company has insisted in the past that tailings from the huge mine are not toxic, but environmental groups in Indonesia reacted furiously

> approval of expansion. Freeport lacks real friends in the ministry at a time when they most need the mining executive said. "Moffett now finds the cost of boasting about his ties with Subarto."

suggested, however, that the time asked Mr Suharto ally a policy shift," the exec-

expansion only if royalties not comment except to note agreed to an increase in paythat the mining licence ments in a way that would allows for an increase in roy- avoid changing the contract, which would require approval in parliament, where Freeport has also been under attack.

"Call them contributions to the local community," he said. "As long as Freeport to Mr Habibie's sudden agrees, there is nothing wrong with it. So far, they Freeport's 30-year lease on the mine, agreed in 1991, was already a renegotiated version of a 1973 contract for a much more modest operaties with Suharto." tion. As in the meeting with contracts of work are sacred.

One mining analyst Mr Habibie, Mr Moffett at "I don't think this is actu-

Freeport officials would Freeport might have quietly to override objections by his utive said. Freeport has

Freeport has since been fending off accusations that it rewarded Mr Suharto and his associates for their support by selling undervalued valued supply contracts.

A foreign mining executive said there was little chance that a renegotiation of the contract with Freeport would endanger other mining contracts, which have a Lex Specialis clause protecting investors from legal changes. Mr Kuntoro has assured investors that the

the rest of us."

expect royalties to rise only in a draft law on mining that has yet to be submitted to

Freeport McMoRan reported record production because of varying ore sales would fall from 1.7hm pounds of copper and 2.8m ounces of gold in 1998 to 1.4bn pounds and 2m ounces not firmly decided on expan-

Lucky strike at Cananea mine

A stand-off between miners and management at the Cananea copper mine in 1906

Mexican revolution. This time, a two-month old strike at the huge open pit mine is seen as a blessing in disguise for an industry hard hit by falling prices, say

Nearly 2,000 union workers walked out of the historic mine in the northern province of Sonora, just 60km from the US border, on November 19.

Yet as the strike enters its 10th week, the conflict has received little publicity and analysts are almost flippant about the impact the stoppage could have on Grupo Mexico, the mine owner, responsible for 95 per cent of Mexico's copper output.

While the group is considered one of the leading lowcost producers, averaging 47 cents a pound throughout its operations, the cost of producing copper concentrate at the againg Cananea is about Mexico's neighbouring 67 cents a pound - above the smelter, representing one-

pen, but we've stopped losing money," joked Gabino Paez, director of industrial relations for Grupo Mexico.

Rene Kleyweg, mining analyst with Merrill Lynch & Co in New York, added: "The strike is not entirely unfortunate for the company. In fact, it's quite convenient for them. They aren't losing out and if anything it helps the current oversupply."

Santander Investment says Cananea is losing \$2.7m a week in potential revenue on the 1,775 tonnes it produces in the form of Blister copper and copper cathodes.

But despite higher fixed costs for Grupo Mexico, which achieved sales of \$1.3bn last year, "there won't be a very significant impact on margins", said Sandra Morfin, analyst with Santander, predicting a \$16m drop in fourth-quarter profit.

tonnes of copper concentrate

a week to La Caridad, Grupo

has been able to rely on significant stockpiles because of a recent maintenance shutdown. The company has recently begun to buy concentrate on the market, but there is plenty of surplus. say analysts, as Chile contin-

What is more uncertain is when the strike will end. Grupo Mexico officials say miners should be back at that workers' productivity bonuses are at stake.

ues to churn out copper to

offset failing prices.



But the refinery, one of the about a move by the comlargest in North America, pany to raise the level at which workers receive

Grupo Mexico recently invested \$150m in technology to increase concentrator capacity from 300,000 tonnes of raw material a day to 335,000 tonnes and does not believe workers should receive bonuses for increased capacity thanks to

The company says the issue of productivity targets walk-out was caused by internal politics within the

MEAT AND LIVESTOCK

III. LINE CATTLE CHE (40,000lbs; contellos)

Copper stocks at record levels

MARKETS REPORT By Paul Sohman

and Robert Corzine Copper prices fell again esterday as London Metal record high. The LME said inventories of the base metal held in its warehouses had risen to 646,675 tonnes, heat-

645,300 tonnes set more than 20 years ago, The figures are the latest sign that global over-supply of the red metal continues to weigh heavily on the market. Analysts say lower prices are likely unless pro-

ing the previous record of

Three-month copper closed resterday at \$1,427 a tonne. \$7 lower than Friday's level. A fall to \$1.420 would represent the lowest price for almost 12 years.

ducers curb output.

Zinc closed higher in spite of a report showing that world production of the metal rose last year.

The International Lead and Zinc Study Group said total output in the 11 months from January to November was 7.3m tonnes global economic uncertainty.

same period of 1997. Consumption was almost.

against 7.13m tonnes in 1997. Three-month zinc finished \$12.50 higher at \$989 a tonne. Oil prices fell yesterday as markets failed to hang on to Friday's gains. Brent Blend for March delivery was quoted at \$11.12 a barrel in late trading on London's International Petroleum Exchange, down 23 cents on

Reports that the Saudi Arabian and Venezuelan oil ministers planned to meet in Caracas to discuss the possibility of further contacts with non-Opec producers made little impact on the

There was also little reaction to statements from ment that it intended to implement fully production cuts agreed last year.

cism about the possibility of early Opec action to boost prices, given the group's patchy adherence to existing cuts and the continued

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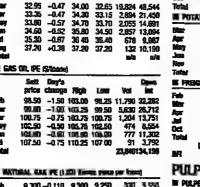
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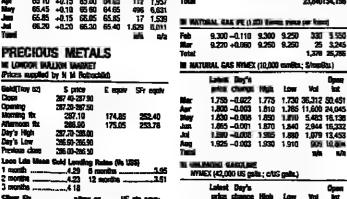
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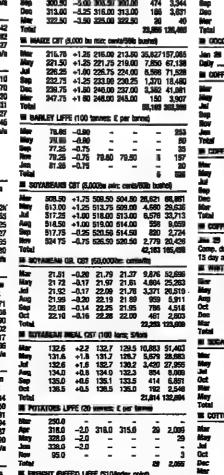
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	price	change	High	Live	Yel	
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Apr	12.61	-0.18	12.95	12.49	17,454	53.855
Hay	12.72	-0.14		12.65	4,736	43,625
Apr May Jai	12.81	-0.15	13.10	12.76	5,950	33,027
Jel	13.13	+0.06	_	_		23,465
ونبة	13.09	-Q.10	11.25	13 07	1,529	15,480
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Apr May Jun Jul	11.12 11.21 11.36 11.46 11.64	-0.23 -0.21 -0.19 -0.24 -0.21	11.45 11.53 11.65 11.75 11.92	11.04 11.13 11.29 11.44 11.64	23,235 9,302 3,171 2,545	Est. 60,071 49,738 27,290 30,102 9,517
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Apr May Jul Jul App Total	price 11.12 11.21 11.36 11.46 11.64 11.62	-0.23 -0.21 -0.19 -0.24 -0.21 -0.18	11.45 11.53 11.65 11.75 11.92 12.06	11.04 11.13 11.29 11.44 11.64 11.82	23,235 9,302 3,171 2,545 345 312	60,071 49,738 27,290 30,102 9,517 6,036 a/a
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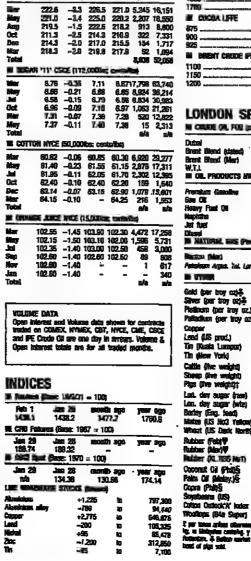


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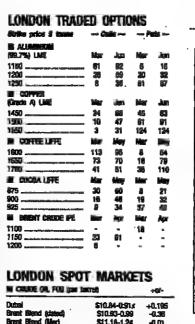
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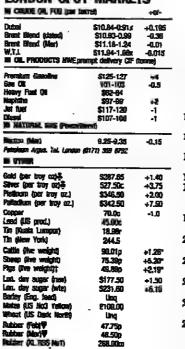
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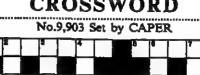
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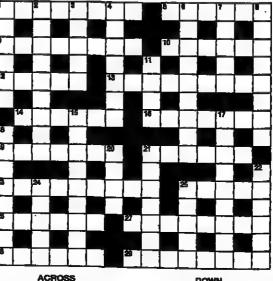




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JOTTER PAD





1 11 smooth West Indian 1 Too timid without 25 across 5 II go off vehicle in the lead 8 Chap who serves 11 and 25

from NE France (8) 10 Fight soldiers for ancient 12 Postpone starter of figs in 13 These girls have their pride

16 Like Pooter, starts to describe ideas and rumina-tions in specific tome (7) 11 Such as 1 across, 5, 14, 29, 21 Karen and I foolishly make 15 Places where you get a grilling! (9)
17 It starts to rain violently

23 Steal entire collection gathered for 25 across? (4,5) 25 Such as 1 down, 3, 4, 6, 18 27 Tyrannical ruler finally

28 Quiz follows American city news (6) 29 Abandons outside second

18 Rapidly increase 25 across 20 Developer's 11 (4) 21 Left succeed eastern 25 22 Goes round and cuts girls' garments (6) 24 At home, exercise without energy is useless (5)

across? Dropping one for 25 across (5) Church has absolute happi-

ness - not quite 25 across

6 25 across, sailor follows

in centre of Port Said (8)

20 and 25 down (4)

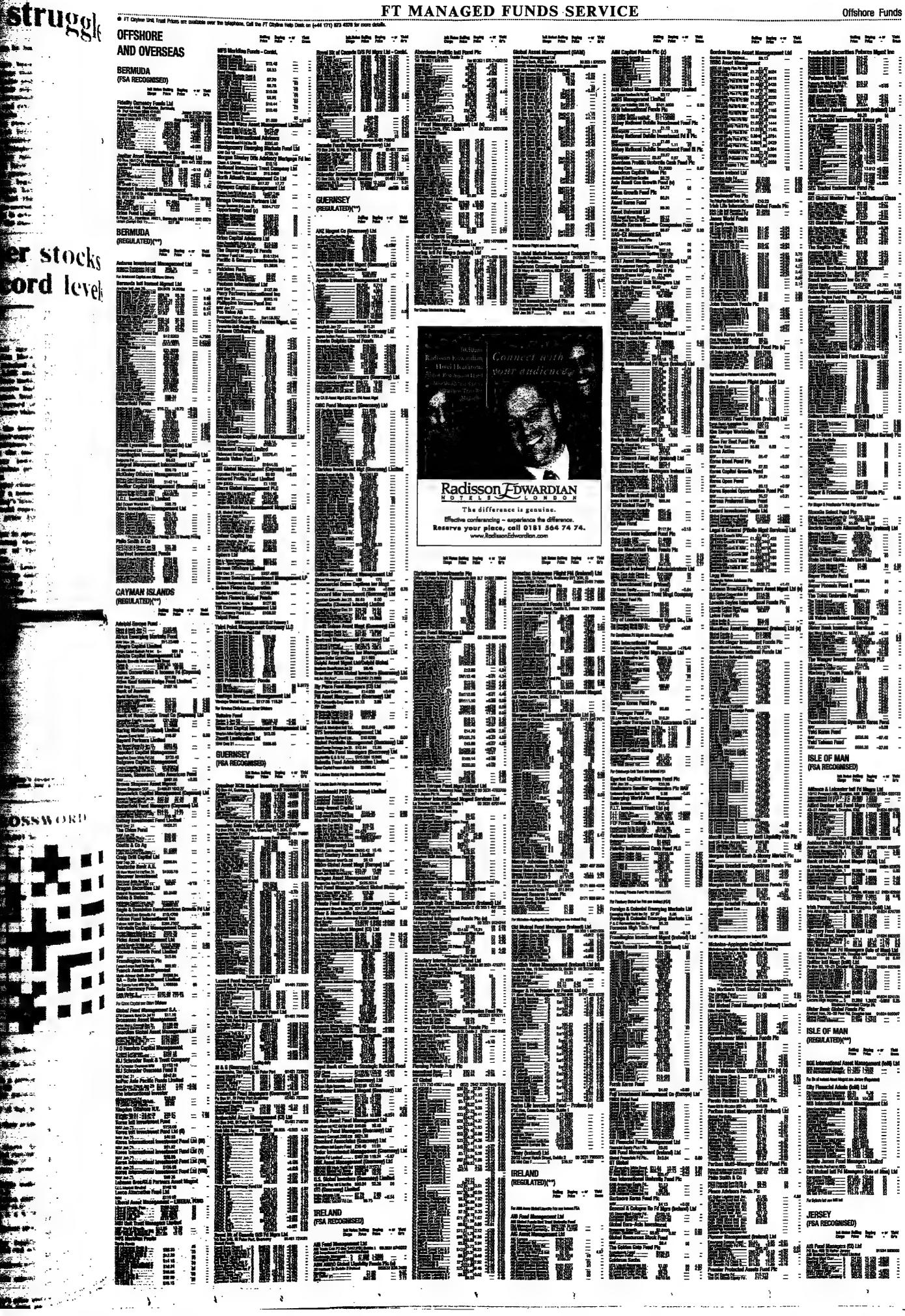
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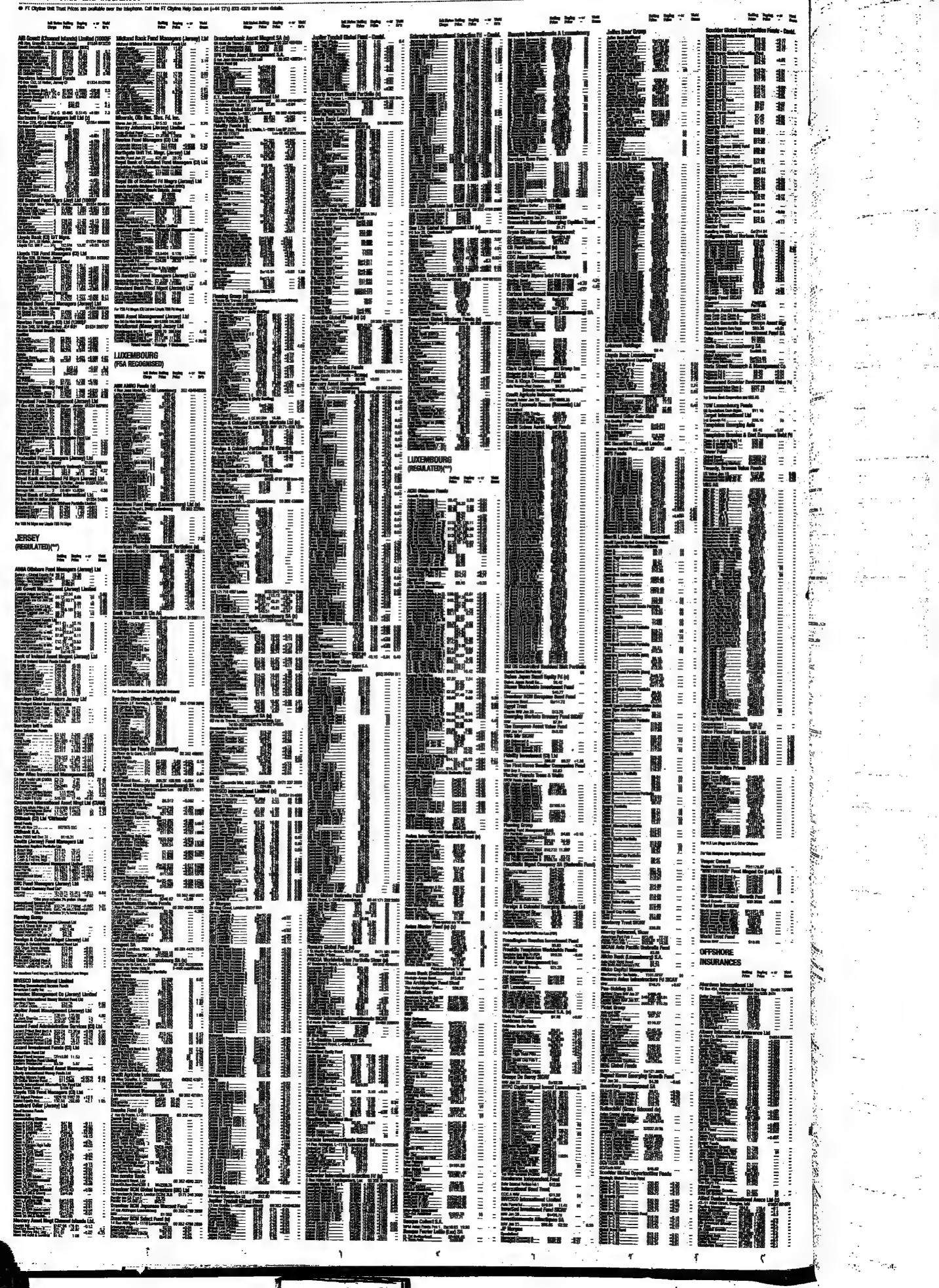


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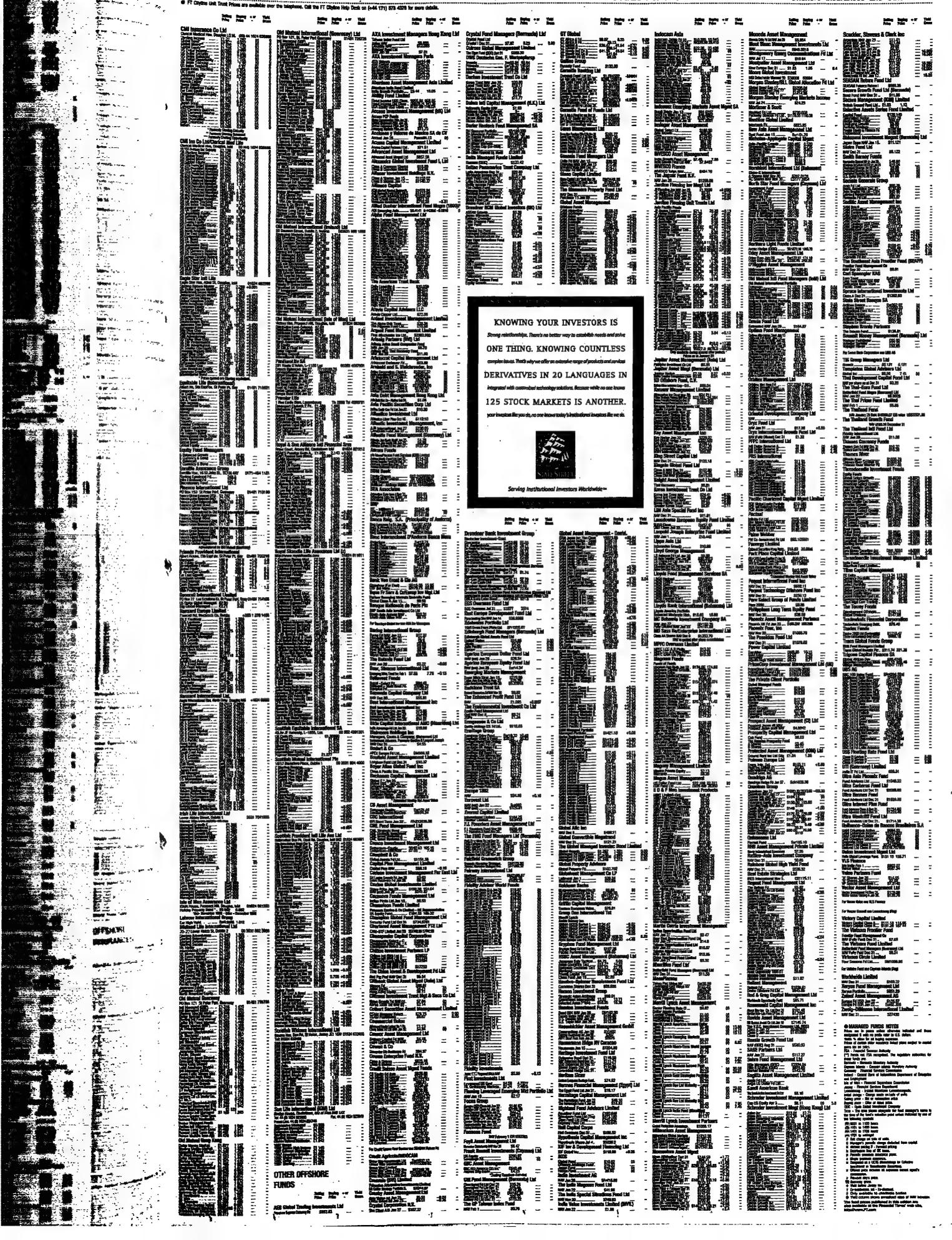
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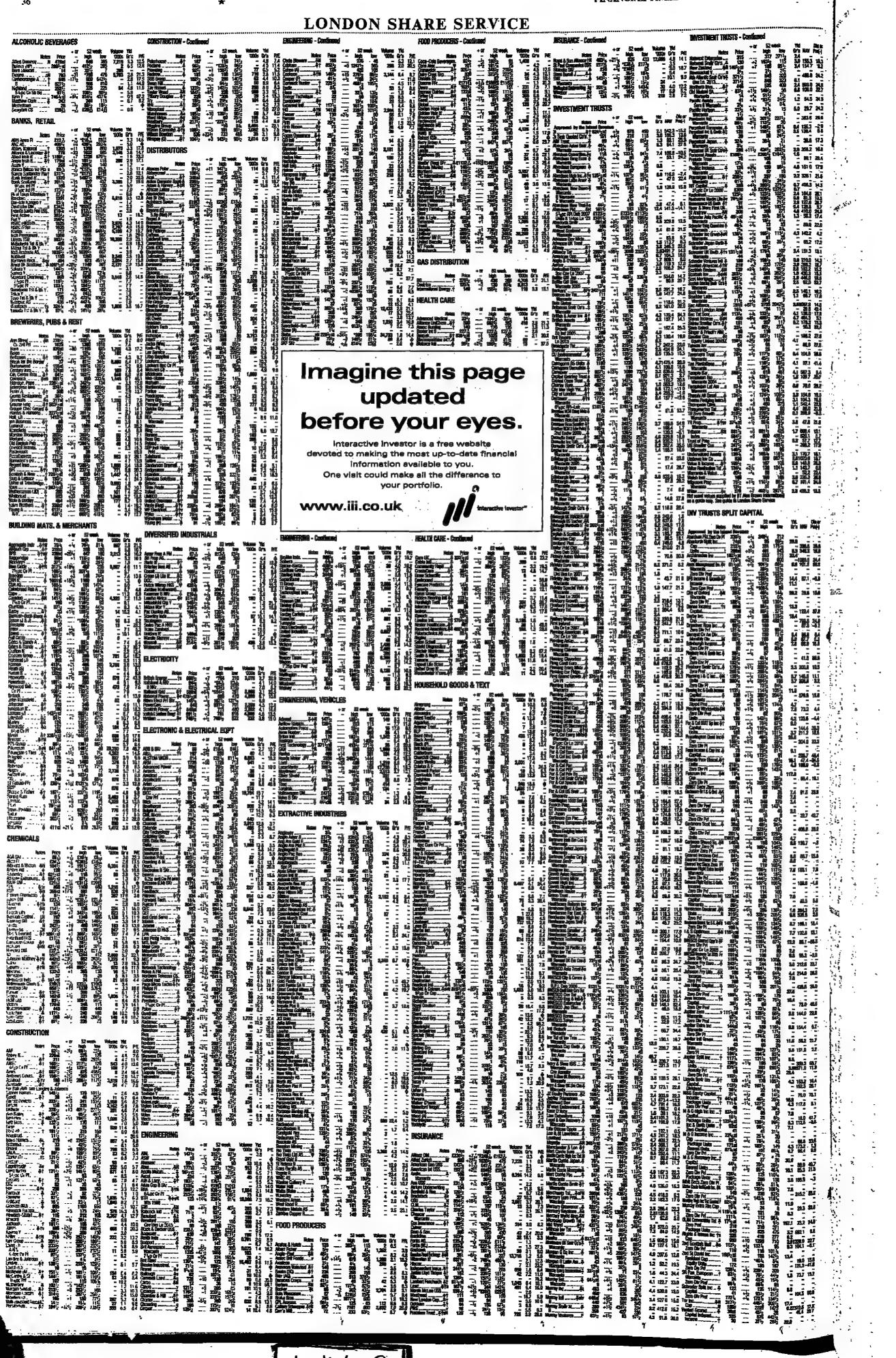
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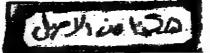
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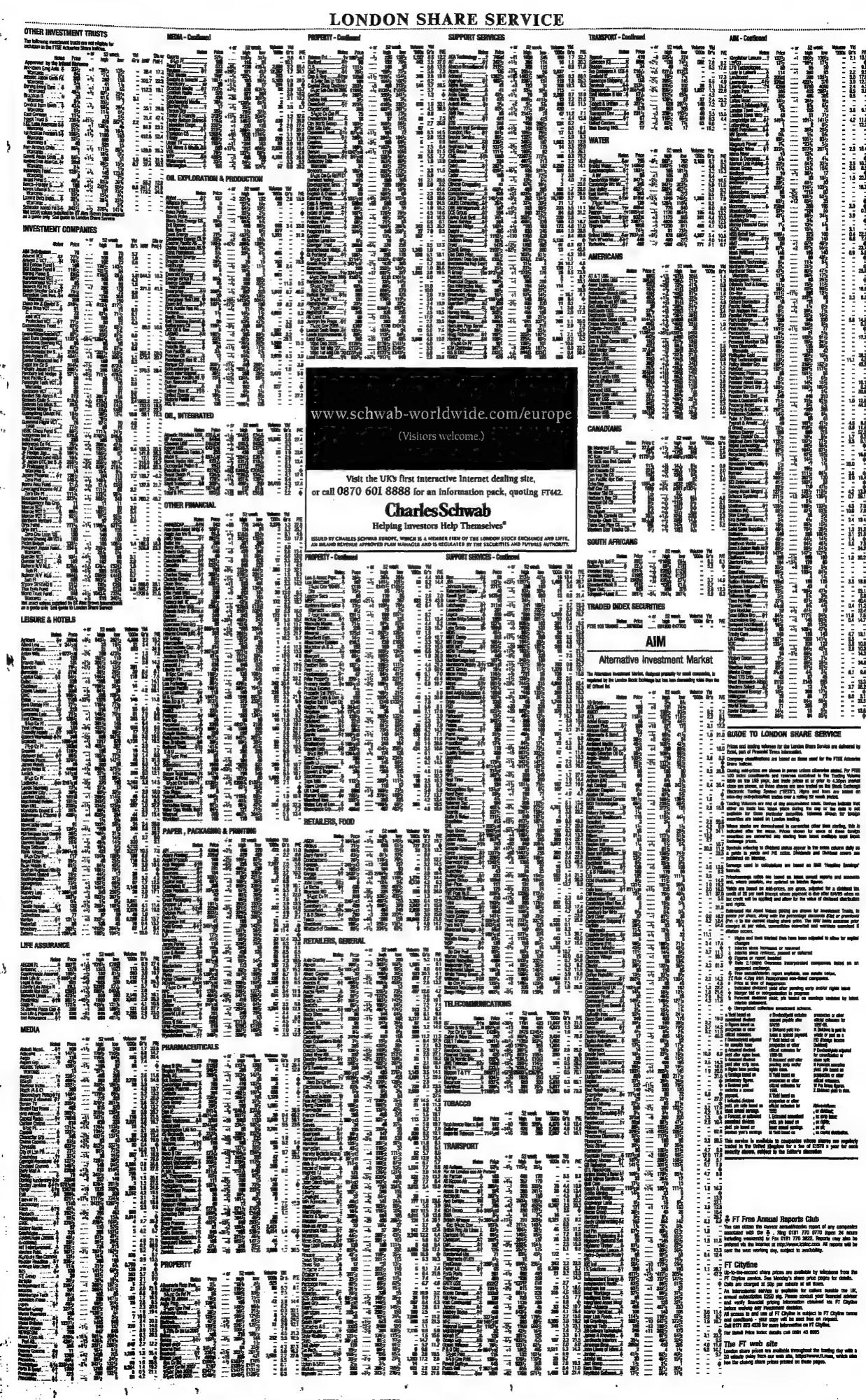




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Bidders circle prey as takeover frenzy continues

MARKET REPORT

By Stove Thompson UK Stock Market Editor

The bid frenzy in London continued yesterday, with a mixture of reality and rumour driving stocks sharply higher, especially the news of fundamental restructuring in the French banking industry.

The takeover by Société Générale of Paribas, two of the most powerful French banks, and the potential for even more domestic and pan-European moves, ignited many of the UK banks. Anamerger stories involving the short term. Barclays and NatWest, among others.

sector was the confirmation of weekend reports that Axa, the French insurance group. had successfully mounted a strategic and tactical coup in getting Guardian Royal Exchange to agree to its last-

ers in London and across Europe and the US had been the trigger for the most recent surge in stock mar-

"You can't take your eyes off the market for a second Adding to the increasing without more hard bids or excitement in the financial bid approaches being announced; that is what is driving the market," said the head of trading at one London agency broker.

He acknowledged the other fundamental strengths affecting London, including the continuing influx of Analysts and traders said cash, aided by yesterday's UK manufacturing sector the spate of bids and merg- mostly cash bid for Guardian Royal Exchange and Imetal's increased cash offer for English China Clays.
"That news adds to the

MidCap housebuilders

were also a focus, with Berkeley rising 51 to 492%p

156p. Housebuilding stocks

ket; we all know that cash bids mean more instant unside pressure " he said. And the most powerful driving force for the market,

was still weakening, a report

best and worst performing FISE socions

ing the chances of a cut.

monetary policy committee meeting starts on Wednesthe prospect of more interest day, while Thursday sees the rate cuts, was another bullish factor. Yesterday's UK European Central Bank meeting in Frankfurt. economic news added to the Most economists expect calls for another reduction. the Fed to leave US rates on The Chartered Institute of Purchasing and Supply said hold; an ECB cut is a possibility; but a quarter-point in its latest survey that the

which was seen as increas-At the close, the FTSE 100 index had been catapulted The US Federal Reserve's open market committee through the 6,000 level, set-

reduction in UK rates is

favoured by the majority of

today to determine US inter-

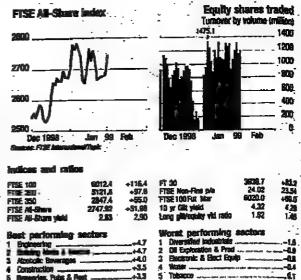
est rates.

lysts revisited the potential kets and would continue in upside pressure on the mar-begins its regular monthly tling a pet 116.4 ahead at meeting in Washington 6,0124, having run up to a session high of 6,045.0.

Dealers insisted, however. that the real excitement was The Bank of England's being felt in the secondliners where the FTSE 250 shot up 97.6, or 2 per cent. The bids will come thick and fast or this market will

drop like a stone," said one. The FTSE SmallCap was also driven by takeover hopes, and pushed up 23.4 to 2.154.6, although one sceptic continued to warn of the potential for more profit warnings.

Turnover in equities ran up to 1.21bn shares.



Chemical reaction to bidders

COMPANIES REPORT By Peter John, Martin Brice

Chemicals bubbled higher as more takeover speculation in the sector was thrown into the crucible.

News that Albright & Wilson is examining several tentative bids prompted examination of the possible targets within the sector and the likely predators.

The shares rose 5 to 104%p with take-out targets ranging from 130p (Credit Lyonnais Securities) to 180p (Sutherlands). Possible buyers include Rhodia of France, Solutia and FMC of the US.

Dealers have also been looking increasingly closely at the portfolio managed by Phillips & Drew Fund Management. Tony Dye, P&D's chief investment officer, has been warning of a stock market correction since 1996 and has been a big buyer of 'value" stocks.

Recently many of those stocks have performed so badly that they have become takeover targets. For example, P&D has stakes of above 20 per cent in Wace, Norcros, Sears and Mirror Group. It also has a 24 per cent stake in Brent International and 22 per cent of Hickson Inter-

national. Brent was flat at Gordon, rose 21 to 413%p 114%p and Hickson slightly easier at 42%p. Laporte. another seen as vulnerable, jumped 44 to 567/4p.

Building materials group Caradon saw brisk trade of have priced in recession for strong performance, prompting speculation that the company is close to announcing its long-awaited disposals programme. The shares rose

Elsewhere in the sector, receding fears of recession prompted buying of building materials stocks, BPB gained 20% to 230p while Hanson. boosted by an "oversold"

3555.5 3615.8 3639.8 3639.0 3633.8 3644.2 3644.7

© FTSE interestional Licelard 1999. All rights meaned. For 1995/FR.

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STOCK MARKET TRADING DATA

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4.3m as the stock put in a much of the past year, but growing hopes that the UK economy will merely slow, rather than suffer recession, have seen some buildingrelated stocks outperform recently. News that France's largest bank, Société Générale,

Feb 1 Jan 29 Jan 28 Jun 27 Jan 28 Yr egn 113gh 1Low

3555.5 MITELT 3498.4 3483.6 3483.8 4084.8 2790.8 2.973 2.951 2.95 2.95 3.17 4.22 2.72 22.68 22.730 23.64 22.64 22.39 MAI 18.00 MIT 22.628 22.50 20.55 MAI MITEL 18.00

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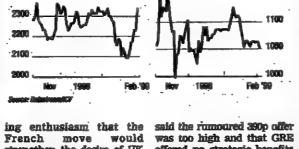
LIFFE Equity options

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intends to take over rival Parihas revived the enthusiasm for consolidation within the UK financials comment from Panmure

However, the early morn-



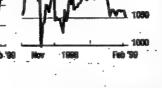
"super league" was seen as something of a knee-jerk reaction and share prices ased in the afternioon.

Robert Law of Lehman it alters very much. Results, bad debts and base rate movements are still the main drivers in the sector."

Barclays led the way forward with a 4 per cent gain in early trading. The shares were helped by newspaper reports that the bank is planning cost cuts in its retail banking operations of about £300m that are likely to lead to hundreds of job losses. Dresdner Kleinwort Benson reiterated its "add" stance on the stock.

£13.91 while National West- appreciated 13 to 191%p. minster gained 39 to £11.55. Royal & Sun Alliance rose

21% to 483%p on relief that the insurer was not to acquire Guardian Royal Exchange. Commerzbank underlined the general mood. The broker upgraded the stock from "hold" to "buy", having previously



strengthen the desire of UK offered no strategic benefits banks to enter the European to Royal. Commerzbank also downgraded Axa's Sun Life Pro-

·vincial from "buy" to "hold" after it was announced that the insurer had sealed an Brothers said: "I don't think agreed £3.4bn acquisition of GRE. Sun Life fell 51 to 580p. GRE fell 61/2 to 361p. Shares in Regent Inns rose

21 to 191p after it confirmed weekend press reports that it has started talks with SFI Group that could lead to a A joint statement from the

two groups said their chief executives had "exchanged preliminary views on the merits of combining the two companies" and that formal merger talks would begin in the near future. SFI was also The shares closed 31 up at in demand and the shares

Bass surges

hotels and drinks group and one said: "The company Bass, which holds its annual meeting on Thursday, continued to drive the shares. They closed 50 up at 870p.

The market appeared to give the thumbs-up to food retailer Tesco after it said it free internet access for 10m Clubcard households across hardened 4% to 192p in a

may hurt business at Dixons, which also has a free internet service. Shares in the electrical goods retailer soared 29% to £10.39%. The group said it was to add a finance and investment channel to Freeserve, its free internet service, in the sum-

It was a mixed day for the other leading food retailers. A two-way pull in Asda Group brought volume of 16m as the shares edged % ahead to 164%p, but sellers gained the upper hand in omerfield, the shares clos-

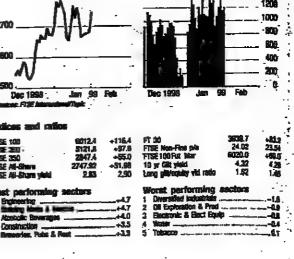
ing 31/2 lighter at 3901/sp. Software group Lynx was up 5 at 190p following positive comments from Dresdner Kleinwort Benson, Mark Loveland at the broker told clients the price of the shares was "fundamentally too low". He set a price target of 350p for the end of this year and 420p for next and said: "Lynx has considerable

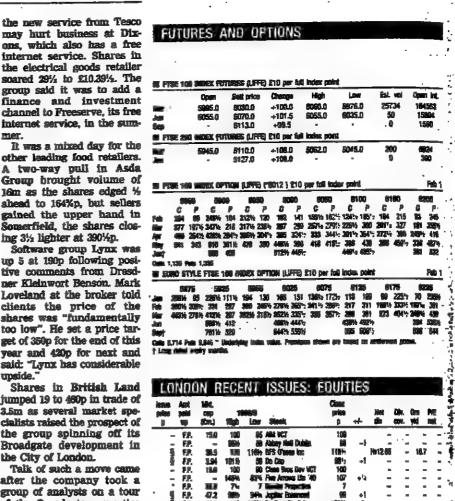
Shares in British Land jumped 19 to 460p in trade of 3.5m as several market specialists raised the prospect of the group spinning off its Broadgate development in the City of London.

Talk of such a move came after the company took a group of analysts on a tour of the Broadgate properties yesterday, although the company said nothing about such a move. Analysts said A shortage of stock in the tone had been "upbest" was positive about the City office market as well as the retail market. We got quite a lot of new information

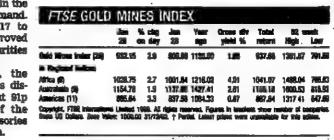
Other leading stocks in the sector were also in demand. Hammerson put on 17 to 374%p, and MEPC improved 21% to 415p. Land Securities appreciated 35 to 762p. H Young Holdings.

tributor, was off 1% at 91p after the purchase of the Animal brand of accessories for no more than £1.8m.

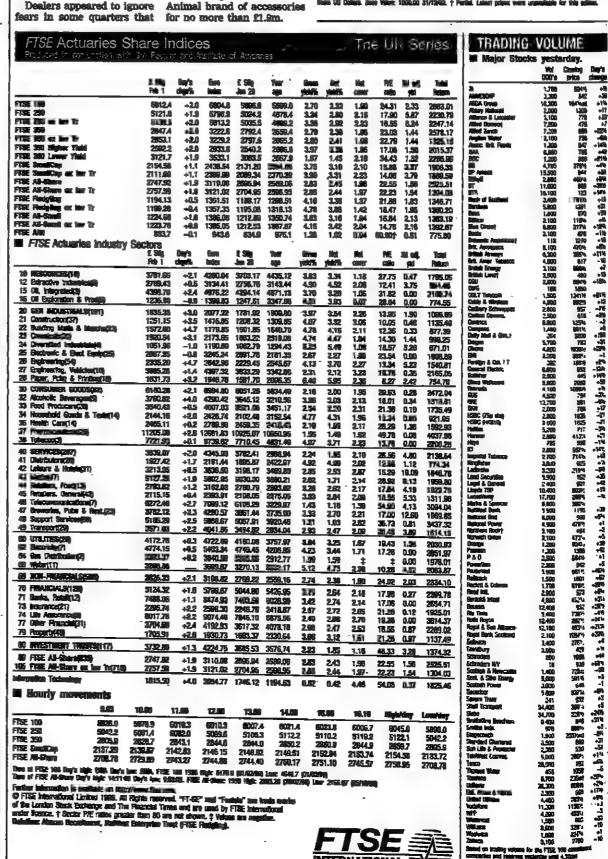




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EMERGING MARKET FOCUS

STOCK MARKETS

Takeovers help bulls buck Bronco legend

WORLD OVERVIEW

Takeover activity, one of the most important factors behind the global stock market recovery of late 1998, was once more responsible for improving investor sentiment yesterday, writes Philip

between Société Générale and Paribas of France, and the agreed takeover by Aza of British insurer Guardian

European bourses got a particular lift from the news. with investors turning their mind to the prospects of further consolidation within the banking sector. The Dax in Frankfurt and the CAC 40 in Paris each gained more than

Wall Street had a rather more mixed opening with a report from purchasing man-

badly received by the bond

The Federal Reserve open market committee begins a two-day meeting today, but few analysts expect a rate Friday's strong fourthquarter gross domestic product numbers.

European Central Bank and Bank of England will also stronger-than-expected announce rate decisions, with the best chance for a

ending takeover round, managed to keep most stock marary, despite worries about slowing economic growth

and corporate earnings. According to figures from FTSE International, Brazil achieved a rare double in performance of a stock mar-ket in local currency terms up 20 per cent - but, thanks Wall Street showed a net

reductions, and the never- in dollar terms - down nearly 30 per cent.

Greece, which some investors hope is on course to join former in dollar terms, gaining 15 per cent. The so-called January indi-

cator - the theory that "as January goes, so goes the encouraging sign for the US equity market, given that

Hopes of interest rate Real, the worst performance 1999. In the US, the indicator has made an accurate predic-

But the superstitious could AFC triumphed on Sunday. However, Denver also won

also point to the Superbowl indicator, a discouraging omen for the bulls. Legend has it that, if an AFC team wins, the market will fall; the Denver Broncos of the the market marched higher

after the German Stinnes

stock for SKr45 per share.

division to Ford for SKr50bn.

Nokia, down €7 to €121.50.

The Hex index fell 106.74 or

PARIS rose to a six-month

high as the CAC-40 gained

52.12 to 4,303.92, mainly

Axa-UAP ended €1.20

lower at €126.60 after it said Guardian Royal Exchange

had accepted its £3.6bn cash

and share offer. Some ana-

lysts said this might be a

deal too far for the acquisi

tive insurer after a string of

lifted by financial stocks.

1.7 per cent to 6,069.03.

faced by reality

the Palestine Securities Exchange. As it prepares to celebrate its second birthday, traders, and indeed Suleiman Abbadi, recently appointed its new general manager, may find little rea-

The PSE was established as much as a symbol of Palestinian sovereignty as a way for establishing a viable financial system. .

However, Palestinian traders and the business community in neighbouring Jordan have been disappointed with its performance.

group said it would offer to Average monthly turnover since September has hovered buy all the outstanding BTL around \$3m compared with \$16.7m in March. The Al-Volvo picked up SKr7 to Quds index has never looked SKr219.50 on the view that like returning to last June's the share looked cheap after peak of 185. By the close of last week's announcement that it was selling its car trading on Sunday - the exchange is open twice a week - the index was at **HELSINKI** was dragged lower as Morgan Stanley cut 153.24 and turnover was just its rating on telecoms giant

\$389.044

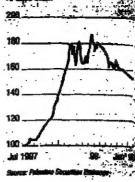
Investors have stayed away from the PSE for a number of reasons. The Israeli-Palestinian peace process has all but collapsed, With no free movement of goods, services and people from the Palestiniancontrolled areas of the West Bank and Gaza to the outside world, investors

believed the risks were simply too high. Yet given such an environment, investors had hoped Vassir Arafat's Palestinian Authority would have tried to make the PSE more attractive. They have been

disappointed. Since the exchange was set up in February 1997. traders have been waiting for the Palestinian finance ministry to set up a regula-

tory body for the PSE. "We kept asking and we kept waiting for the ministry to do something," said one trader. "Nothing happened."

The trader said a regulatory body would make the PSE more transparent and



and minds of the Kum

tors. It would, he added, provide a legal framework, "Such a regulator is cro-

for corruption among local investors and the diaspore said an investor. Liquidity is another draw.

back. The PSE's market canivices and banking making up 90 per cent of the volume of 20 listed shares. Trader and businesses believe mon could be done for liquidity by the PA implementing pri

feet by not drawing up ademantle its monopolies, such as in coment and telecommunications," said a Palestinian businessman.

To complicate matters, the PA is active on the PSE through its subsidiaries which include the Palestine Development and Invasiment Company and Palestine Telecommunication Company (Paitel). Of the 10 leading stocks, Paltel, monopoly, accounts for 50 per cent of their market cap-

italisation. "The PA is crowding out the private sector," said a Palestinian official. "Until the PA changes its ways, investors will be hesitant about coming."

Judy Dempsey

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Wall St wary ahead of Fed rate meeting

AMERICAS

Wall Street began February with a mixed early session as investors got behind blue-chip and high-tech stocks, but turned away from the broader market, urrites John Labate in New

Trading was mainly cautious ahead of the first meeting of the year for the Federal Reserve's open market committee to decide interest rate policy. While few on Wall Street expect the Fed to make a move, it comes near the end of the quarterly earnings season when investors are looking for new

By early afternoon the Dow Jones industrial Average of blue-chip shares had risen 35.53 to 9,394.36 while the broader Stan-dard & Poor's 500 index 500 index was off 2.86 at 1,276.78. Higher internet and computer shares helped raise the Nasdag composite 6.53 to

Merger announcements tional surged \$9% to \$35% after news that specialty chemicals company Rohm and Haas would acquire it

In telecoms, Bell Atlantic man Brothers. In the Dow, Hewlett-Packard gained \$21 to \$81#. Shares of AT&T surged \$211 to \$931 after British Telecom said it was considering a venture with the US leader.

Airline stocks continued to surge after last week's decision by a handful of carriers to raise fares. Continental Airlines rose 6.8 per cent or Brown raised its rating to com sliding C\$1.70 to C\$94.

The Bovespa index rose

305 or 3.73 per cent to 8,476

at midsession amid hopes

that the stronger Real would

help ongoing talks between

the government and IMF over the release of a \$41.5bn

rescue loan agreed last year.

CARACAS strengthened,

perform". AMR, parent of American Airlines, climbed

Northrop Grumman surged \$5 or 8.8 per cent to \$62 after PaineWebber raised its rating of the defence con- gripped the sector. tractor to "buy" from "neu-

Online brokerage stocks surged in active trading. E*Trade climbed 16 per cent to \$64% and Ameritrade gained more than 23 per cent to \$99%. But Charles Schwab gained just \$7 to \$70% after the company's online division raised margin requirements for certain stocks.

Small company shares were mixed, with the Russell 2000 index up less than one point at 427.31.

TORONTO continued to gain ground as further advances for banks and golds kept the benchmark indices on a rising trend. up 32.74 at 6,762.30 at noon. Royal Bank of Canada rose 80 cents to C\$78.90 and Bank of Montreal gained 75 cents

continued. Morton Interna- at C\$67.50. Bank of Nova Scotia added 45 cents at C\$32.95. In golds, sector leader Barrick put on 30 cents at C\$29.15. Cable group Rogers Communications shot up C\$1.85 fell \$1% to \$58% despite a to C\$23.10 and internet

shares remained a firm feature in spite of recent highprofile warnings about overvaluations. Bid.Com International gained 50 cents to C\$7.60.

Alcan Aluminium lost 35 cents at C\$38.50 and Seagram, the drinks and entertainments giant, came off 90 cents at C\$71.10.

Telecoms, a notably firm market lately, ran into prof-\$2.4 to \$40.4 after BT Alex it taking with Northern Tele-

São Paulo advances as

Real steadies after fall

SAO PAULO opened higher with the IBC index up 143.04

Alliance plan activates banks

EUROPE Bank shares had a hyperactive session following the news that Société Générale and Paribas, two French financial heavyweights, planned to forge themselves into the world's fourth largest bank. German, Spanish, Italian and Dutch banks all moved

gaining €5.60 at €628.60.

ZURICH was enlivened by

have lagged behind the mar-

ket after disappointing reve-

MILAN rose 287 to 23,998

on the Mibtel index although

nue figures last month.

firmer crude oil prices.

quarter results.

higher as a heightened round of consolidation talk among brokers and investors In Paris, the trading pattern was more mixed. Pari-

bas, for example, ended €8.15 or 9.7 per cent higher at 692.15 after hitting a session peak of €97. SocGen, which is taking over Paribas via a The FTSE Eurotop 300 index

rose 17.43 or 1.44 per cent to 1,232.33. See Euro Prices page. deal, ended off €5 at €153. BNP also lost ground.

easing €1.95 at €78. in Frankfurt, Deutsche Bank shot up €1.49 before settling 85 cents higher at €50.55. Dresdner added 70 cents at €36.20 and Commerzbank 50 cents at €26.80. Dutch leader ABN Amro rose 45 cents to €17.55.

Axa-UAP's acquisition of UK composite insurer Guardian Royal Exchange helped keep the financial pot bubbling, as did Goldman Sachs' reiterated positive stance on German banks, suggesting the sector had an upside potential of more

Switzerland's UBS put on SFr10.50 to SFr469.50 as it replaced Deutsche Bank on Lehman Brothers' recommended list. CS Group was SFr1.25 higher at SFr227.25. Italy's BCI put on 29.5

by the chairman of BCI shareholder Deutsche Bank that the Milan-based bank would be a good partner. in Madrid, the French alliance helped Argentaria close

€1.17 or 5.2 per cent higher to €23.73. Popular gained €1.65 to €64.65. The enthusiasm extended

sector and the SMI index finished 90.0 higher at 7,291.2. Among other movers, Novartis rose SFr41 to SFr2.697 and Nestle was SFr45 higher at SFr2.640. Both shares were seen to

cents to €5.86 on comments

neither to Santander, down 36 cents to €16.30, nor to

BCH, 18 cents lower at €9.98,

tations that the Italian group BBV, which would announce a major alliance. The shares finished 7.9 announced improved earncents higher at 62.88 in spite ings, lost 8 cents to €13.10. of Friday's warning of lower FRANKFURT improved 59.31 to 5,239.60 on the Xetra profits for 1998.

Dax index after touching a Luxury goods group Bulsession best of 5,292.74. gari, however, dropped 32.3 cents to €5.26 after a down-Insurance shares were strong in the wake of the grade by CSFB and a cut in latest deal in the European its target price to €5. sector. Munich Re added 69 STOCKHOLM gained on at €228 and Allianz €8.46 at the back of a rally in Erics-€333.46. BMW stood out in a son and further focus on

generally dull motor sector, vehicle maker Volvo. The general index closed 43.45 AMSTERDAM gained 7.92 higher at 3,350.26. to 540.01 on the AEX index, Ericsson jumped SKr12 to helped by strong gains for SKr223 after last week's 1998 ING and a bounce for KLM results that proved largely in ahead of today's third-

line with expectations, and news of its new mobile The airline rose 85 cents to phone platform. Analysts said the stock was rising on €24.30 while ING led a broad rally for financials. It gained the view that it looked cheap €2.80 or 5.5 per cent to €54.10 compared with Nokia. while Aegon put on €1.90 at

Transport group BTL surged SKr11.70 to SKr44.70

M&A announcements last Accor rose €10 or 5.6 per cent to €190 after release of hotel occupancy figures for 1998, up to 68.4 per cent from

65.9 per cent a year ago. France Telecom rose 63.90 to €86.80, accounting for nearly half the CAC-40's rise. Analysts attributed gains to continuous buying by institutions trying to match the utility's heavy weighting in European indices.

Written and edited by Michael

Great minds think alike!

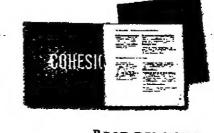


"Seven Principles for Sustained Growth"

A new publication for business leaders by business leaders

BRIDGEWATER MANAGEMENT CONSULTANTS would like to announce the launch of "Seven Principles for Sustained Growth". With an emphasis on simple and practical recommendations, this book is enriched with revealing commentary from over twenty chief executives and chairmen of the UK's largest corporations. Proving again that Great minds think alikel

ited supply of copies are available directly from Br 33 Notting Hill Gate, London, W11 3JC.



BRIDGEWATER

Profit-taking curbs Jo'burg as the Real stabilised at to 4,328.22 at midsession, R\$1.97 to the dollar, recoverbuoyed by a rise in oil stocks ing from its sharp decline and assurances by Hugo through the R\$2.00 level on Chavez. Venezuela's new

president, that he would fight inflation and failing oil MEXICO CITY was little changed as the peso resumed its rise amid renewed opti-

mism about Brazil. The IPC index gained 14.62 to 3,972.55 in the morning

SOUTH AFRICA

Johannesburg made a spirited start, helped by better-than-expected money supply and credit extension figures for December that raised hopes for another cut in interest rates.

However, prices later lost some of their edge to close only modestly firmer, weighed down by profittaking and a fall in the min-

ing sector. The overall index finished 25.2 higher at 5,824.3 while rate-sensitive financials picked up 68.5 to 9.051.6 and industrials rose 45.2 to 6.765.2. Golds closed 6.8

Results optimism lifts Sydney

ASIA PACIFIC

Economic and corporate results optimism got firmly behind SYDNEY, lifting the All Ordinaries index to a record high as bank and telecoms blue chips made amends for further weakness among resource stocks.

The benchmark rose 29.9 or 1 per cent to 2,923.7 in good two-way volume. Wall Street's gains on Friday combined with last week's posttive Australian inflation data to boost sentiment ahead of the company results season.

Banks were in the thick of the action after strong results from sector leader NAB last week. Westpac jumped 27 cents to A\$11.27. In telecoms, Telstra rose 51 cents to a record close of A\$9.15. In media, News Corp gained 35 cents to A\$11.87. In resources, BHP came off

6.4 cents at A\$11.62 and Rio Tinto 9.4 cents at A\$19.30. TOKYO retreated from early highs to end slightly lower as investors took profits on cross-shareholdings

ahead of the fiscal year-end on March 31, Reuter reports. Some traders said the market was also dented by

Oct

doubts over the feasibility of government plans to set up a body by the end of March that would buy stocks to allow the unwinding of corporate cross-shareholdings.

1996

The Nikkei 225 average closed 34.07 lower at 14,465.18. Broader indices were also lower. The Nikkei 300 index lost 1.70 at 222.88 while the Topix index gave up 5.89 at 1,119.37. Trading volume fell to 310.8m shares on the first section from Fri-

day's 445.3m shares. Declining issues outnumbered advancers 582 to 546, with 177 issues unchanged. The market started with a

buying in high-tech issues, encouraged by a rally in New York stocks on Friday and stability in the currency market. But investors took profits on seeing the limited apside above 14,500 on the Nikkei 225

Furukawa Electric picked up Y32 to Y532, supported by rising demand for fibre optics. High-tech issues, bought initially, ended mixed. Sony pared early gains to end Y70 up at Y8,520, Toshiba ended Y5 higher at Y768 while Hitachi lost Y30 at Y815.

firm tone, due mainly to

Securities shares were generally lower on profittaking. Nomura Securities fell R39 to Y975. However, Kokusai Securities rebounded from early lows to end Y27 higher at Y1,029 on reports that Nomura and its group companies planned to sell their stake.

TAIPEI fell to a 32-month low in weak volume as investors wound down their positions ahead of the nineday lunar new year holiday which begins next week. The electronics sector lost 3.3 per cent, although the

day's volume was the lowest

investors were beginning to of the break. The weighted index fell 135.53 or 2.3 per cent to 5,862.79. Winbond, the integrated circuit maker, tumbled

T\$2.60 or 6.7 per cent to HONG KONG staged a late

turnaround as gains in HSBC offset concerns over the release of Bank of East Asia 1998 results. The Hang Seng Index ended 92.65 higher at 9,599.55 after spending most of the day in negative territory and hitting a low of 9,338.26. Volume was a modest HK\$3.5bn. HSBC put on HK\$4 to

HK\$197 after recovering from a low of HK\$192. However. Bank of East Asia. expected to report today a near halving of 1997 net profits, fell 15 cents to HK\$10.90. SEOUL closed higher as institutions went on a buy-

ing spree after hints interest

rates could fall. The compos-

ite index closed 10.24 or 1.8 higher to 581.67. The rise followed a comment from Chun Chol-hwan the central bank governor, who said Korea would cut its since January 1997. Brokers overnight call rate.

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